

**ILLINOIS
COMMERCE COMMISSION**

**ANNUAL REPORT
ON ELECTRICITY, GAS, WATER
AND SEWER UTILITIES**

2000

January 31, 2001

The Honorable George Ryan
Governor, State of Illinois
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support Service
313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2000 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2000, through December 31, 2000.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act.

Sincerely,

Richard L. Mathias, Chairman

Ruth K. Kretschmer, Commissioner

Terry S. Harvill, Commissioner

Edward C. Hurley, Commissioner

Mary Frances Squires, Commissioner

THE MEMBERS OF THE ILLINOIS COMMERCE COMMISSION

Richard L. Mathias, Chairman

Independent: born, 1939; Denison University, (B.A.); University of Michigan Law School (juris doctor); administrative assistant and deputy legal counsel to Gov. Richard Ogilvie; director of the Illinois Department of Insurance (1977-1979); legal or executive positions in insurance, financial services and steel making firms; private law practice in Chicago, specializing in general corporate and state and local tax matters; assumed chairmanship May 26, 1998; current term ends January 2002; married, three adult children.

Ruth K. Kretschmer

Republican; appointed to the Commission in 1983; current term ends January 2003. Kretschmer serves as Chairman of the Commission's Gas Policy Committee and is a member of the Commission's Electric and Transportation Committees. She is the immediate past Chairman of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Gas and serves as a member of the Advisory Council of the Center for Public Utilities, New Mexico State University. She is a member of the Mid-America Regulatory Conference and served as President from June 1995 to June 1996.

She has authored numerous articles regarding energy and telecommunications issues which have been published in academic and industry journals. Working with the U.S. Energy Association Commissioner, Kretschmer was instrumental in the establishment of the Regulatory Partnership between the Illinois Commerce Commission and the Republic of Kazakhstan.

Kretschmer served on the Board of Directors for the Center for Regulatory Studies at Illinois State University from 1985 through 1996. In January 1989, she was appointed to the Advisory Council of the Gas Research Institute and chaired the Council in 1995 and 1996. She also served on the Department of Transportation's Technical Pipeline Safety Standards Committee.

Prior to joining the Commission, Kretschmer was a member of the DuPage County Board and, concurrently a Commissioner for the DuPage County Forest Preserve for nine years. She served as a Commissioner of the Northeastern Illinois Planning Commission for 20 years and was the Commission's President during 1982 and 1983.

Kretschmer holds a degree from DePaul University in business administration and economics; she also attended Harvard University's John F. Kennedy School of Government and completed its Program for Senior Executives in State and Local Government. She is a member of the Economic Club of Chicago and The Chicago Network. She was selected as an honored member of Who's Who in Government Services for 1990.

Terry S. Harvill

Republican; born, 1969; Illinois State University (B.S. Economics); Illinois State University (M.S. Economics); currently completing coursework towards a Ph.D. in Economics at the University of Illinois at Chicago.

Harvill was assistant to the Governor for business and economic development issues (1995-1998); in this capacity, he was responsible for the development of the Governor's overall economic development strategy and issue development in the following areas: business development, regulatory operations, governmental operations, financial affairs and Chicago-related policy matters. In addition, he provided legislative analysis and guidance to the Governor on a wide variety of issues associated with business and economic development and regulatory operations. He was responsible for electric, natural gas and telecommunications restructuring/deregulation legislative efforts at both the state and federal level.

Harvill served as senior policy advisor to the Chairman of the Illinois Commerce Commission (1994-1995). In that role, he was the primary strategist to the Chairman for developing and implementing positions based upon the analysis of financial, economic, and public policy issues. He served as senior economist in the rate design section of the Illinois Commerce Commission (1992-1994). Harvill assumed commissionership May 14, 1998; current term ends January 2003; single.

Edward C. Hurley

Democrat; born 1954; Marquette University, Milwaukee, Wisconsin (B.S. Business Administration, 1976); The John Marshall Law School, Chicago, Illinois (Juris Doctor, 1980); Associate, Jares, Komosa, Burke and Shanahan, Chicago, Illinois (1980-1982); Assistant Illinois Attorney General (1982-1984); Hearing Examiner, Illinois Commerce Commission (1984-1991); Secretary, General Counsel, General Manager, Custom Coffee Service Corp., Chicago, Illinois (1991-1998); assumed Commissionership February 16, 1999; current term ends January 2004; single.

Mary Frances Squires

Republican; born, 1934, Springfield College in Illinois; Administrative Assistant, House Majority Leader (1969-1983); Director, Legislative and Intergovernmental Affairs, Illinois Commerce Commission (1983-1987); Manager, Personnel and Labor Relations, Illinois Department of Public Health (1987-1990); Deputy Director, Personnel, Illinois Secretary of State (1991); Member, Sangamon County Board (1984-2000), Chairman, (1995-2000); assumed Commissionership, March 2000; Chairman, Illinois Commerce Commission Water Policy Committee; current term expires January 17, 2005.

ILLINOIS COMMERCE COMMISSION YEAR IN REVIEW 2000

ENERGY ISSUES: ELECTRICITY

Electric Restructuring

The Illinois Commerce Commission revised rules for new entrants to the electric energy market, including rules that would “unbundle” a number of services, including metering and billing, from traditional pricing. The Commission also approved and sent to the General Assembly a second report, entitled “Assessment of Competition in the Illinois Electric Industry,” which examined the development of competition during the first full year of the Customer Choice Program. The report is posted on the ICC web site.

Alternative Retail Electric Service

Five additional electric companies were certified as alternative retail electric suppliers in 2000, bringing the total number of alternative suppliers to 16. They include Ameren Energy Marketing Company; AmerenCIPS; CMS Marketing, Services and Trading Company; Central Illinois Light Company; Dynegy Energy Services, Inc.; EnerStar Power Corporation; Enron Energy Services, Inc.; Illinois Power Energy, Inc.; Illinois Power Company; MidAmerican Energy; NewEnergy Midwest, LLC; Peoples Energy Services Corporation; South Beloit Water, Gas and Electric Company; Unicom Energy, Inc.; and WPS Energy Services, Inc. Company names, addresses and contact per-sonnel, with telephone numbers have been posted to the ICC web site to assist customers who may be considering switching to an alternative provider of electricity.

Electric Choice

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 provided for customer classes to be phased-in to the competitive marketplace beginning with portion of the largest consumers of electric energy, industrial and commercial customers, on October 1, 1999, followed by another group of industrial/manufacturing customers on June 2, 2000. All remaining non-residential customers could choose an alternative electric supplier on December 31, 2000. Utilities notified eligible customers through mailed bill inserts in May and November. As of October 2000, it appeared that approximately 9,300 customers had selected an alternative electric supplier, with the majority of switching occurring in the Commonwealth Edison service territory.

Delivery Service Tariffs

The Commission approved new terms and conditions of service for meter service providers this year and continued to review other issues including uniformity in tariff language and utility billing systems. Part 410 Standards of Service rules were reviewed and updated.

Consumer Education Program

The Consumer Education Program expanded its efforts in 2000 to include presentations to the Governor’s Small Business Summit in January, speaking engagements by Commissioners, Executive Director and staff throughout the state, and finally, a year-end campaign which included audio and video news releases across the state. Trade publications, business organizations, on-line advertising and web site links also served to educate customers on “electric choice.”

Neutral Fact Finder/ Alternative Market Value

Peter Hoffman of Deloitte-Touche LLP was hired as the neutral fact finder charged with determining the market value of power during the transition to a deregulated electric utility market. Earlier in the year, Commonwealth Edison proposed an alternative means of determining market value for some of its customers, and the Commission approved it in an interim order for the year 2000. Edison, in a consolidated case which included AmerenCIPS-UE and Illinois Power, sought a final

order that would allow them to use the index-based alternative market value method in 2001.

Independent System Operator

A number of Illinois electric utilities, including Commonwealth Edison, Illinois Power and Ameren CIPS have announced plans to leave the proposed Midwest Independent System Operator (MISO) to join Alliance Regional Transmission Operator. The Commission initially filed comments with the Federal Energy Regulatory Commission urging it to reject IP's plan to leave the MISO because too little was known about the structure and pricing of electricity under the RTO. The Michigan Public Utility Commission joined Illinois in its protest. At the end of 2000 the FERC had not ruled on IP's proposal to withdraw from the MISO.

Plant Sales/Utility Mergers

In April, Interstate Power and Interstate Power and Light Company filed a joint application for approval of merger and reorganization. The surviving corporation will be renamed Interstate Power and Light Company.

AmerenUE fled petitions for the transfer of all of its Illinois electric facilities and businesses as well as its Illinois gas facilities to AmerenCIPS.

Commonwealth Edison provided the Commission with information about its plan to transfer its office assets and business to PECO. It also spun off its nuclear generating plants to an affiliate, Exelon. Edison petitioned the Commission for permission to revise its decommissioning expense adjustment rider, in conjunction with the proposed transfer to the unregulated affiliate.

Decommissioning

The Commission cut Commonwealth Edison Company's request for speedier collection of decommissioning funds from \$120.9 million per year for six years to \$73 million a year for four years. The Commission allowed collection of decommissioning funds in the fifth and sixth years but ordered that it would be a percentage of the \$73 million based upon the supply of power Edison purchases from the new owners of its nuclear generation stations.

Electric Reliability

The Liberty Consulting Group, hired by the Commission to examine Commonwealth Edison Company's transmission and distribution systems, as well as the company's standards, policies, procedures and practices at and prior to the 1999 power outages, issued three reports over the course of the year. Engineers looking at the condition of the system reported that while the utility had generally good standards, procedures and people to carry them out, its electrical system failed in summer 1999 because the company had not spent nearly enough money on maintenance and necessary system improvements in prior years. The consulting firm also found that Edison's tree trimming programs were inadequate and power failures occurred when trees contacted power lines. In a third report, Liberty noted that while the utility's transmission system performed reliably and did not suffer the same problems as the distribution system in the late 1990s, it could have because Edison had allowed it to deteriorate.

In an unrelated case the Commission also ordered Central Illinois Light Company to begin immediately to trim trees and other vegetation away from power lines. A staff inspection and reliability reports filed by the utility, showed an unusual number of power outages related to tree limbs contacting electrical wires.

Late in the year, Illinois Power Company became the first utility in the state to file a formal proposal for a vegetation management tariff. Early in 2001, the Commission suspended the proposed tariff pending further investigation.

ENERGY ISSUES: GAS

Natural Gas Choice Program

Nicor Gas filed a request with the Commission seeking permission to expand its Customer Select program, a voluntary program which would offer customers a choice of natural gas suppliers beginning March 1, 2001. The Commission initiated an investigation into Nicor's Customer Select pilot program in an effort to determine what if any competition has developed to date and if the program should be expanded to include all customers.

Mercury Spills

Northern Illinois Gas was the subject of an investigation into mercury spills that apparently occurred when outdated regulator mechanisms containing mercury were moved or disturbed at several residences. The Attorney General, and states' attorneys from Cook and DuPage counties filed a lawsuit against Nicor Inc. and two contractors in an attempt to gain a quick and complete clean-up of the contaminated residences throughout northern Illinois. In addition the Commission was part of a Task Force charged with monitoring the investigation and assisted in the review of plans and other documents associated with the clean-up. The Commission directed all natural gas utilities in the state to check for regulators containing mercury and any spills that might have occurred.

Gas Price Increases

While natural gas prices rose steadily throughout the year, and utilities reported to the Commission that heating costs for the winter of 2000 would be 30 to 40 percent higher than 1999, prices increased even more significantly in the last three months of the year. Governor George Ryan called for an investigation into the rising prices and formed an Energy Cabinet to examine other ways of assisting Illinois' low income consumers, as well as developing an energy policy for the state in the future.

FERC

In February, 2000, the Federal Energy Regulatory Commission issued Order 637 in which it modified its rules concerning the natural gas industry. Specifically, the FERC sought to improve the efficiency of the natural gas market and increase competition by modifying rate-setting policies to enable rates to better reflect market demand and to reduce the rate burden on captive customers, improving its regulation of the pipeline grid to increase competition, and revising FERC reporting requirements.

Illinois also continues to see major activity in new interstate natural gas pipeline construction proposals, in response to continued growth in natural gas demand and increased access to newer

gas supply basins, such as those in western Canada.

WATER ISSUES

Illinois American Water Company filed a petition with the Commission seeking a rate increase for most of its service areas including areas previously served by Northern Illinois Water Corporation which merged into Illinois-American. The utility sought an overall increase in revenue of approximately 9.2 percent, or approximately \$8.9 million. A final order is pending.

COMMISSION ACTIVITIES

The Chairman of the Commission and a blue-ribbon panel of business and governmental experts reviewed Commission operations (ranging from rules, practices, and procedures to consumer services, information technology, and personnel) in order to form a strategic vision for the future. The final report of the Millennium Review Committee was published in January 2000 and is currently being implemented.

The Commission began a web-based electronic filing and docketing system known as E-Docket in May. Through this system, parties to a Commission case can file, search, and print documents using a docket number.

In an effort to provide better service to Commission constituents a customer kiosk has been installed in the main lobby of the ICC's Springfield office. The kiosk gives customers instant access to the ICC web site and the E-Docket system.

The Commission added a Spanish version of the Consumer Issues web pages to the web site. Included in this site are a description of the services offered by the Commission's Consumer Services Division, rules and other pertinent information, instructions for contacting CSD and a method for consumers to evaluate the site and offer comments.

The Commission has received and deposited in the General Revenue Fund, more than \$2.7 million in penalties paid by SBC-Ameritech, for failure to comply sufficiently with conditions of service to wholesale providers of telecommunications services, in accordance with a merger order approved by the Commission in 1999.

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INTRODUCTION

The following report for calendar year 2000 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts. For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

During 2000, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Terry S. Harvill

Edward C. Hurley

Ruth K. Kretschmer

Richard E. Kolhauser

Richard L. Mathias

Mary Frances Squires

ILLINOIS COMMERCE COMMISSION

STATEMENT OF MISSION

The Illinois Commerce Commission, in a period of emerging reliance on the marketplace to ensure fairly-priced, reliable, and adequate utility services, will protect consumer interests and manage the transition of network industries from regulation to efficient competition through the use of innovative regulatory practices. Through its actions, the ICC shall generally promote effective competition in utility and transportation industries, enhanced consumer choice, efficient and effective dispute resolution, and the sharing of impartial and comprehensive information within its jurisdiction as provided by law.

SECTION 1

General Review of Agency Activities

(1) A general review of agency activities and changes, including:

(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;

(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefor;

REVIEW OF SIGNIFICANT COMMISSION DECISIONS

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2000. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page (www.icc.state.il.us) or in the Commission's electronic docketing system (<http://eweb.icc.state.il.us/e-docket>).

PENDING CASES

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

SIGNIFICANT REGULATORY ACTIONS

Significant actions taken by the Commission during 2000 are described in the summary statement, "The Year in Review," immediately preceding this section.

(1-c) a description of the Commission's budget, caseload, and staff levels, including specifically:

(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;

A breakdown of the types of cases resolved and filed during the year and of cases which are still pending is given in Table 1-1 below.

There are 389 cases yet unresolved (pending) from the year 2000 and 85 cases yet unresolved from previous years.

**TABLE 1-1
Types of Cases Before the Commission**

Case* Type	Cases Filed 2000	Final Orders 2000
AAG	147	122
ABC	1	2
ABN	54	57
AGO	10	11
AIC	18	11
AMR	14	9
ASE	8	6
ATC		1
CCN	404	216
CIC	4	1
CIT	41	64
COM	68	48
DEP	2	2
DSP		2
DST	1	2
EMD	6	6
ESA	7	6
FIN	16	12
MIS	125	80
PAB		1
PTR	41	32
RAI	8	2
REC	29	32
RIC	2	1
RID	5	1
RUL	10	8
SDW	2	8
SPT	16	
TDD	6	6
TRF		8
911	15	13

*An explanation of case types is given in the table on the following page.

TABLE 1-2
Key to Case Types

AAG	Arbitrated Agreements
ABC	Application for service territory boundary change
ABN	Application to abandon service or status as a public utility or telecommunications carrier
ACE	Approval of CUB enclosures
AEX	Application for approval of extended area service (telephone)
AGO	Application regarding Commission rules (Deviation from, compliance with, or change in)
AIC	Application regarding an "affiliated interest" matter (Section 7-101)
AMD	Amend certificate
AMR	Application for approval of merger of utility or telecommunications carrier
ASE	Application regarding license or lease agreement, inter-utility transactions, and property sales
ATC	Approval of transfer of control
CAR	Citation concerning failure to furnish annual report
CCN	Application for a certificate of public convenience and necessity or certificate of service authority
CIC	Commission investigative case
CIT	Citation concerning failure to furnish annual report and other miscellaneous citations
CMP	Complaint other than billing or service
COM	Complaint concerning billings, unfair charges, impediments to competition, etc.
CSR	Complaint as to service
DSP	Delivery service plan
DST	Delivery service tariffs
EMD	Application for approval of exercise of eminent domain
ESA	Electric Suppliers Act cases
FIN	Application re: bonds, notes, stocks, conditional sales contracts, debentures, stock dividends, etc.
MAC	Miscellaneous accounting case
MET	Municipal Electric Tax
MIS	Miscellaneous
PTR	Proprietary treatment request
RAI	Rate cases
REC	Reconciliation cases re: fuel adjustment clauses and purchased gas adjustment clauses
RES	Alternative retail electric supplier
RIC	Rate investigation case
RID	Application for rider/rate revision or establishment
RUL	Rulemaking
SDW	Solid waste energy facility qualification
SPT	Special Permission Tariffs
TDD	Telecommunication device for the deaf
TRF	Tariff/Contract filings (Not general rate case)
911	Application under "9-1-1" (emergency phone number)

(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory function or activity and for each department, bureau, section, division, or office of the Commission and its employees.

(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.

The following table on shows the Commission's budget and authorized headcount by divisions and funding source.

TABLE 1-3
Budget and Headcount by Division
Fiscal year 2000

Division	Public Utility Fund		Transportation Regulatory Fund		General Revenue Fund		Totals	
	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$
Chairman & Commissioners	14	1,126,800	1	107,100	0		15	1,233,900
Public Utilities	233	19,982,800			0	1,684,000	233	21,666,800
Transportation			90	10,088,200			90	10,088,200
Single State Registration			0	8,000,000			-	8,000,000
Totals	247	21,109,600	91	18,195,300	0	1,684,000	338	40,988,900

Head count is shown at the authorized level.

Budget \$ shown represent the FY01 appropriation

(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.

AGENCY ORGANIZATION AND ADMINISTRATION

There were no significant changes in Commission policies or programs with respect to agency organization or administration in 2000.

SECTION 2

A Discussion of the Utility Industry in Illinois

2. A discussion and analysis of the state of each utility industry regulated by the Commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.

SIGNIFICANT CHANGES AND TRENDS IN THE UTILITY INDUSTRY

For a discussion of changes and trends in the natural gas and electric power industry, see Section 8 of this report.

DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA

ELECTRICITY

Electric service to retail customers is provided in the State of Illinois by the following nine investor-owned public utilities.

AmerenCIPS
AmerenUE
Central Illinois Light Company
Commonwealth Edison Company
Interstate Power
Illinois Power Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company
South Beloit Water, Gas and Electric Company

Electric service is also provided in Illinois through municipal systems and electric cooperatives, which are not regulated by the Commission. Data as to the quality, availability, and price of electric service are not reported to the Commission by these providers and will not be a subject of this report.

Northern Illinois

Electricity is sold in northern Illinois by four electric utilities: Interstate Power, Commonwealth Edison Company, MidAmerican Energy Company, and South Beloit Water, Gas and Electric Company. Commonwealth Edison Company is by far the largest investor-owned electric utility in Illinois, serving 3,470,197 customers in 396 communities. Included in its service territory is the Chicago metropolitan area. MidAmerican Energy Company provides service to 83,962 customers in 42 communities in northwestern Illinois. Interstate Power has 11,082 customers in 13 communities also in northwestern Illinois. South Beloit Water, Gas and Electric Company provides electrical service to 7,650 customers in 8 communities adjacent to the Wisconsin border.

Northern Illinois' electric generation capacity for the summer of 2000 was adequate. All of Commonwealth Edison's available nuclear capacity was operating. In addition, there was an additional 1,200 MW of

additional generation during the summer of 2000 from combustion turbine "peaking" units operated by unregulated power producers. This additional generation and a cooler than normal Summer resulted in an ample supply of generating capacity.

The price of electricity sold by these four utilities varied between utilities and within utilities depending upon the class of customer served. Table 2-1 on page 11 shows detailed price per Kwh information for all electric utilities under ICC jurisdiction.

The average price per Kwh for 1993-1999 for the four utilities is as follows:

	1993	1994	1995	1996	1997	1998	1999
Interstate Power	5.12¢	4.95¢	5.02¢	4.75¢	4.69¢	4.87¢	4.58¢
Commonwealth Edison	7.39	7.32	7.49	7.53	7.38	7.26	6.47
MidAmerican		5.76	6.18	6.60	5.47	4.92	5.03
South Beloit	4.94	4.79	4.58	4.30	4.44	4.74	4.88

Central Illinois

Electric service is provided to central Illinois by three investor-owned electric utilities: AmerenCIPS, Central Illinois Light Company (CILCO), and Illinois Power Company (IP). AmerenCIPS and IP also provide service to southern Illinois. CILCO serves 198,089 customers in central Illinois in the Peoria area and 108 other communities. Ameren CIPS provides service to 561 communities across central and southern Illinois with a total customer population of 319,339. IP serves 566,055 customers in 421 Illinois communities in central and southern Illinois.

Central and southern Illinois' electric generating capacity was adequate for the 2000 summer peak. The summer of 2000 was also cooler than normal resulting in lower than expected demand for electricity. Capacity has increased in central Illinois as well. During 2000, 550 MW of unregulated, merchant plant generating capacity came on line in central Illinois.

The average price per Kwh for 1993-1999 for the three utilities is as follows:

	1993	1994	1995	1996	1997	1998	1999
Ameren CIPS	4.68¢	4.89¢	4.97¢	4.93¢	5.09¢	5.19¢	5.14¢
CILCO	5.46	5.35	5.47	5.15	5.24	5.39	5.66
Illinois Power	5.61	5.79	6.15	5.76	5.63	5.13	6.30

Southern Illinois

Much of southern Illinois is served by Ameren CIPS and IP. Service areas for these companies were discussed in the previous section concerning central Illinois. Customer and price statistics given above include southern Illinois and will not be repeated in this section. Two other utilities will be discussed, as they operate only in southern Illinois.

Missouri-based AmerenUE provides electric service to 62,359 customers in 17 communities in southwestern Illinois. Recently, AmerenUE petitioned the Commission to transfer these customers to AmerenCIPS. Mt. Carmel Public Utility Company serves 5,629 customers in 2 communities in southeastern Illinois.

As with the other parts of Illinois during the summer of 2000, there was an ample supply of electricity in Southern Illinois. There is also significant merchant plant activity in Southern Illinois. During 2000, 220 MW of merchant plant generating capacity was added.

The average price per Kwh for 1993-1998 for the two utilities is as follows:

	1993	1994	1995	1996	1997	1998	1999
Ameren UE	4.63¢	4.26¢	4.29¢	4.21¢	3.90¢	4.05¢	3.98¢
Mt. Carmel	5.79	5.66	5.62	5.98	6.22	6.81	6.81

NATURAL GAS

Natural gas service is currently provided in the State of Illinois by the 14 investor-owned gas public utilities listed below:

AmerenCIPS
AmerenUE
Central Illinois Light Company
Consumers Gas Company
Illinois Gas Company
Illinois Power Company
Interstate Power Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company
NICOR Gas
North Shore Gas Company
Peoples Gas Light and Coke Company
South Beloit Water, Gas and Electric Company
United Cities Gas Company

Additional gas service is provided in Illinois by municipal gas systems not subject to regulation by the ICC. For this reason, data concerning quality, availability, and price for these systems are not available to the ICC and therefore are not considered in this document.

During 2000, natural gas service was available without major interruption to all firm customers served by these 14 Illinois utilities. However, the price of natural gas increased significantly during the year, especially at the end of 2000, with the cost of natural gas reaching two to three times the cost in the prior year. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. During 2001, sufficient supplies of natural gas are expected to be available to all customers. However, customers should expect much higher prices than those shown below for the years 1994 through 1999.

Northern Illinois

Gas distribution and sale of natural gas is provided in northern Illinois by six public utilities as follows: Interstate Power Company, MidAmerican Energy Company, NICOR Gas, North Shore Gas Company, Peoples Gas Light and Coke Company, and South Beloit Water, Gas and Electric Company.

NICOR Gas is the largest gas distribution company in the state providing service to 1,861,308 customers in 641 communities in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest utility in Illinois with 816,876 customers. North Shore Gas Company serves 144,708 gas customers in 56 communities north of the Chicago area. Of the remaining three companies serving northern Illinois, MidAmerican Energy Company is the largest with 65,010 customers in 27 communities. South Beloit Water, Gas and Electric Company serves 6,214 customers in 9 communities. Finally, Interstate Power Company serves 5,355 customers in 10 communities.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the supplier of natural gas that serves the local distribution company. Table 2-2 on page 14 shows price per therm for 1994-1999 is as follows:

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Interstate	53.34¢	48.74¢	49.99¢	56.05¢	55.70¢	50.18¢
MidAmerican	48.61	43.07	50.90	56.05	48.75	52.41
NICOR Gas	43.28	36.63	41.84	48.11	42.27	43.02
North Shore Gas	63.07	50.30	56.97	60.32	56.43	63.27

TABLE 2-1
ILLINOIS ELECTRIC UTILITIES
REVENUE PER KWH BY CLASS OF SERVICE BY COMPANY
(CENTS)

1999									
<u>CLASS OF SERVICE</u>	<u>CILCO</u>	<u>AMEREN CIPS</u>	<u>COM ED</u>	<u>ILL POWER</u>	<u>INTER- ST PWR</u>	<u>MID AMER</u>	<u>MT. CARMEL</u>	<u>SOUTH BELOIT</u>	<u>AMEREN UE</u>
RESIDENTIAL SALES	7.52	7.56	9.30	8.41	6.50	8.32	8.46	5.91	6.71
LARGE (INDUSTRIAL)	3.92	4.50	5.74	4.22	3.60	4.42	5.28	4.10	2.84
SMALL (COMMERCIAL)	6.95	6.91	7.54	7.89	6.42	6.24	9.11	6.19	5.23
PUBLIC STREET & HIGHWAY LIGHTING	5.42	6.97	3.40	7.00	14.95	8.48	0.00	10.64	8.93
OTHER SALES TO PUB- LIC AUTHORITIES	0.00	5.80	6.38	6.70	4.30	5.59	5.94	0.00	0.00
SALES TO RAILROADS AND RAILWAYS	0.00	0.00	4.98	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL SALES TO UL- TIMATE CUSTOMERS	5.87	6.37	7.40	6.25	4.77	6.37	6.79	5.00	3.98
SALES FOR RESALE	3.53	3.15	2.52	6.44	3.27	2.12	3.47	1.74	3.93
INTERDEPARTMENTAL SALES	7.27	2.46	0.00	0.00	21.22	0.00	0.00	4.93	0.00
TOTAL SALES OF ELECTRICITY	5.66	5.14	6.47	6.30	4.58	5.04	6.70	4.88	3.98

	1994	1995	1996	1997	1998	1999	
Peoples Gas		65.04	53.16	60.66	66.02	64.09	64.21
South Beloit	48.96	45.52	44.44	58.63	66.86	54.29	

Central Illinois

Gas distribution and sale of natural gas is provided in central Illinois by three large distribution companies: AmerenCIPS, Central Illinois Light Company (CILCO), and Illinois Power Company. CILCO provides gas service to 204,836 customers in 128 communities, the two largest being the Peoria and Springfield metropolitan areas. AmerenCIPS serves mostly rural areas in central and southern Illinois, providing service to 294 communities with a total customer population of 158,009. Illinois Power provides gas service to 398,225 customers in 297 communities in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois and including the East St. Louis metropolitan area.

The average price per therm for the three utilities for 1994-1999 is as follows:

	1994	1995	1996	1997	1998	1999
AmerenCIPS	55.34¢	53.76¢	57.16¢	51.29¢	52.29¢	63.62¢
CILCO	50.84	46.48	53.08	55.07	50.85	50.01
Illinois Power	49.35	43.07	47.37	61.18	52.49	53.33

Southern Illinois

Gas distribution and sale of natural gas is provided in southern Illinois by two large distribution companies; AmerenCIPS and Illinois Power discussed earlier, and the following five smaller distribution companies: AmerenUE, Consumers Gas Company, Illinois Gas Company, Mt. Carmel Public Utility Company, and United Cities Gas Company.

United Cities provides service to 25,601 customers in 31 communities in a number of distinct service areas in southern Illinois. AmerenUE serves 18,227 customers in 6 communities in the Alton metropolitan area in southwestern Illinois. Illinois Gas serves 10,355 customers in 15 communities in the Lawrenceville-Olney area. Consumers Gas serves 5,978 customers in 8 communities in the Carmi area. Finally, Mt. Carmel serves 3,718 customers in 7 communities in the Mt. Carmel area.

The average price per therm for the six utilities for 1994-1999 is as follows:

	1994	1995	1996	1997	1998	1999
AmerenUE	49.09¢	42.05¢	48.01¢	58.38¢	48.47¢	64.52¢
Consumers Gas	49.26	45.67	54.59	54.07	51.30	44.29
Illinois Gas	47.35	43.80	52.68	57.22	52.27	53.47
Mt. Carmel	48.07	47.86	44.14	52.93	54.26	56.01
United Cities	51.82	52.44	57.67	65.86	61.24	56.36

TABLE 2-2

ILLINOIS GAS UTILITIES

REVENUE PER THERM BY CLASS OF SERVICE BY COMPANY

1999

(CENTS)

CLASS OF SERVICE	<u>CILCO</u>	AMEREN <u>CIPS</u>	CONS <u>GAS</u>	ILL <u>GAS</u>	IL <u>PWR</u>	INTER <u>ST PWR</u>	MID <u>AMER</u>	MT <u>CARMEL</u>	NORTH <u>SHORE</u>	NICOR <u>GAS</u>	PEOPLES <u>GAS</u>	SOUTH <u>BELOIT</u>	AMEREN <u>UE</u>	UNTD <u>CITIES</u>
RESIDENTIAL SALES	61.54	67.62	54.58	62.53	60.15	50.39	54.40	59.93	64.56	43.06	65.54	57.98	72.05	59.06
SMALL (OR COMM.)	51.92	66.41	53.30	58.84	50.64	48.87	50.02	55.18	59.22	42.73	58.72	55.48	63.62	49.88
LARGE (OR IND.)	31.34	36.61	22.17	38.01	36.51	52.73	46.30	40.08	48.14	44.31	48.94	37.23	42.71	46.98
OTHER SALES TO PUBLIC AUTHORITIES	0.00	0.00	46.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60.90
TOTAL GAS SALES TO ULTIMATE CUSTOMERS	55.80	63.89	46.62	53.47	54.56	50.18	52.95	56.01	63.27	43.02	64.21	54.29	64.52	56.36
INTERDEPARTMENTAL	28.19	3.60	0.00	0.00	26.93	57.44	6.80	0.00	0.00	0.00	0.00	75.45	0.00	0.00
SALES FOR RESALE	22.73	35.34	26.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL GAS SALES	50.01	63.62	44.29	53.47	53.33	50.18	52.41	56.01	63.27	43.02	64.21	54.29	64.52	56.36

WATER AND SEWER UTILITIES

The Commission currently regulates 32 water, 5 sewer, and 14 combined water and sewer investor-owned utilities, three fewer than the number at the start of 2000. While the number of regulated utilities is a small percentage of the 1,880 public water suppliers and 750 public sanitary sewage systems with treatment facilities in the state, the investor-owned utilities provide water service to almost 1 million people. The investor-owned utilities are located in 34 counties concentrated in the Chicago metropolitan area with the number of customers served ranging from 22 to 217,000. Only six utilities serve more than 1,000 customers.

There are currently considerably fewer regulated water/sewer utilities than in the past. The reduced number of regulated water and sewer utilities is partly the result of the overall Commission effort to reduce the number of small utilities. Small systems, due to their limited number of customers, typically have difficulties generating sufficient revenues to hire employees with the necessary expertise to function as a regulated utility.

The Commission has found that, in most cases, customers receive better service at lower rates from larger utilities due to the economies of scale that are realized. The Commission has promoted acquisition of small systems by larger municipally and investor-owned utilities and the merger of smaller systems into larger operations to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility of the very small systems being operated as a mutual by a homeowners association is investigated. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for very small systems. In 2000, the three utilities no longer regulated were acquired by and merged into other regulated utilities.

The problems encountered by small systems were evident again in 2000. The five water utilities (owned by one individual serving a total of 2,000 customers) that were cited by the Commission for poor water service in 1998 filed for Chapter 11 Bankruptcy protection in 1999. This action seems to be related to the owners personal finances as opposed to the financial situation of the utilities. Customer service was uninterrupted. The Commission took the unusual action of canceling a certificate of convenience and necessity for one small utility for the provision of poor service, the inability to provide adequate management, and failure to maintain the corporation in good standing with the Secretary of State. This system is currently owned by Will County but is operated by Consumers Illinois Water Company who is expected to acquire the system from the County in the near future and merge it into one of Consumers' nearby existing systems.

On a national basis several of the purchases and mergers among the investor-owned water utilities that had been announced in 1999 were concluded in 2000. No new large purchases were announced. In Illinois, a similar pattern occurred. Illinois American Water Company received Commission approval of the purchase and/or merger with Northern Illinois Water Corporation (NIWC) and United Water Illinois and those two utilities were dissolved and merged into Illinois-American. Hearings began on American's petition for the purchase of Citizens Utilities Company of Illinois and those hearings are scheduled to be completed early in 2001.

Most of the larger water utilities regulated by the Commission serve municipalities adjacent to the state's major rivers, and the utilities use those rivers as their source of water supply. River supplies are generally adequate and the water, when treated, meets the criteria established by the Illinois Environmental Protection Agency (IEPA) except for nitrate levels in some rivers which exceed the standards during periods of heavy water run-off from agricultural lands.

Illinois-American Water Company is continuing a project in the Streator area started by Northern Illinois Water Corporation to discuss the application of nitrogen based fertilizer with the farming community in an effort to reduce the introduction of nitrogen into the streams tributary to the Vermilion River. That project plus the addition of off channel storage and pumping systems seems to be a success since the nitrate levels in the river have decreased and for the last four years the nitrate levels in finished water have been below the maximum standards.

Consumers Illinois Water Company, Vermilion Division, has periodically experienced levels of nitrate in the raw water in excess of the maximum allowed by the United States Environmental Protection Agency (USEPA) and has constructed an ion exchange treatment system to reduce the nitrate level below the Maximum Contaminant Level. With all the work completed, nitrate levels in the supplies of investor owned systems are all in compliance with Illinois and USEPA regulations.

There are several other upcoming regulations by the USEPA that could potentially impact the costs of well supplies in Illinois. The principle examples are arsenic, radionuclides and radon. Depending on the maximum contaminant level (MCL) adopted, some suppliers could be forced to either install costly treatment equipment or to find another source of supply which in most instances would be substantially more expensive. Arsenic is a good example of the more strenuous standards being considered. Currently, the MCL is 50 parts per billion (ppb). USEPA considers 3 ppb to be a feasible MCL but suggested that the MCL be set at 5 ppb, one-tenth the current standard. Comments are currently being reviewed by the USEPA and the final MCL is not expected until sometime in 2001.

Most smaller systems serve unincorporated residential developments -- often a single subdivision -- and are typically located in the northern half of the state. Wells serve as the source of supply for most small systems. Well water quality varies considerably and can contain undesirable minerals such as iron, manganese and calcium that, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several utilities located in the Chicago metropolitan area to obtain Lake Michigan water.

As indicated in last years report, Citizens Water Resources Corporation was granted a certificate as a Water Common Carrier by Pipeline to construct and operate an eighteen mile pipeline to transport Lake Michigan water from Bedford Park to its affiliate, Citizens Utilities Company of Illinois, for distribution to its Bolingbrook and Homer Township service areas and to the Village of Bolingbrook for distribution to customers in the Village-owned portion of the Bolingbrook water system. Construction of that line, storage facilities and pump stations began in the spring of this year and completion is expected early next year.

Because of the substantial costs involved in obtaining Lake Michigan water, customers are polled to determine whether they are willing to pay the cost of obtaining that water in cases where Lake water is sought to eliminate aesthetic problems. In virtually every instance where Lake water is available, customers voted overwhelmingly in favor of efforts to acquire such a supply in spite of the substantially increased cost which often is in the range of \$3.00 per 1,000 gallons.

Water supplies for Commission regulated water utilities were generally adequate in 2000 despite a drought in the west central portion of the State during the winter and spring months. The Illinois-American Water Company completed construction of a new water treatment plant to replace the Alton water treatment plant which experienced flooding during 1993. The facilities are currently being cleaned and disinfected for operation by December 31.

Only one investor-owned sanitary sewer system provides service to more than 5,000 customers. The other sewer systems are small, although one does provide service to a major manufacturing plant. Some of the systems have difficulty meeting the stream discharge standards established by the Illinois Environmental Protection Agency. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest systems have, where possible, sought treatment from nearby regional plants. All sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) discharge their waste to the MWRD for treatment. The investor-owned sewer systems provide service primarily to residential customers and serve a very limited number of commercial and industrial customers. Table 2-3 on page 18 is a comparison of bills for water usage by utilities providing service to 1,000 customers or more.

Bills for sewer service are typically flat rate charges since metering of sewage flow is uneconomical and impractical for residential customers. The rates vary considerably and depend on many factors, including the age of the treatment plant and treatment criteria for the receiving stream. In some instances, the rates do not reflect the cost of treatment which is ultimately recovered through taxation by a municipal corporation (such as

the MWRD). Other utilities have recently completed new treatment plants, and rates in the range of \$40 to \$73 per month reflect the substantial investment in such facilities. Overall, rates for single-family homes average \$25-30 per month.

FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS

Bond ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services which categorize corporate debt issues on the basis of risk. Virtually all of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining bond ratings. In assigning ratings to a firm's debt, rating agencies give consideration to both qualitative and quantitative factors. For a public utility, the financial aspects reviewed by rating agencies can be separated into six criteria: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Non-financial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

The following table shows the nationwide electric utility industry average bond rating, as well as the ratings for the seven major electric utilities serving the State of Illinois. Interstate Power, AmerenUE, and MidAmerican have the majority of their operations in other states.

Electric Utility Bond Ratings by Standard and Poor's 1995 to Present

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Electric Utility Industry Average	A-	A-	A-	A-	A-	A-
AmerenCIPS	AA+	AA+	AA+	AA-	AA-	A+
AmerenUE	AA-	AA-	AA-	AA-	AA-	A+
CILCO	AA-	AA-	AA-	AA-	BBB-	BBB-
ComEd	BBB	BBB	BBB	BBB	BBB+	A-
Illinois Power	BBB	BBB	BBB	BBB	BBB	BBB+
Interstate Power	A+	A+	A+	A+	A+	A+
MidAmerican	A+	A+	A+	AA-	A+	A

Like the electric utilities, natural gas distribution companies receive ratings on their debt which reflect the individual company's financial condition. The table below presents bond ratings for the three major natural gas distribution utilities serving the State of Illinois and the average bond rating for the nationwide natural gas distribution industry.

Gas Utility Bond Ratings by Standard and Poor's 1995 to Present

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Gas Distribution Industry Average	A	A	A-	A-	A	A
Nicor Gas	AA	AA	AA	AA	AA	AA

North Shore	AA-	AA-	AA-	AA-	AA-	AA-
Peoples AA-	AA-	AA-	AA-	AA-	AA-	

Currently, none of the water utilities serving the State of Illinois have ratings assigned to their debt.

Table 2-3
ILLINOIS COMMERCE COMMISSION
COMPARISON OF WATER BILLS OF ILLINOIS PUBLIC WATER UTILITIES
FOR RESIDENTIAL CUSTOMERS WITH 5/8" METERS
UTILITIES WITH 1,000 OR MORE CUSTOMERS

			TOTAL	WATER USAGE				
	UTILITY	DISTRICT	NUMBER OF	4000	6000	8000	10000	15000
			CUSTOMERS	GALLONS	GALLONS	GALLONS	GALLONS	GALLONS
NORTHERN	Citizens Utilities	Well Water	17,900	\$18.46	\$23.14	\$27.82	\$32.50	\$44.20
		Lake Water	18,800					
		Alpine Heights	200	27.82	37.18	46.54	55.90	79.30
		Chicago Suburban	7,750	27.74	37.06	46.38	55.70	79.00
		DuPage County	6,850	31.66	42.94	54.22	65.50	93.70
		Fernway	2,000	26.58	35.32	44.06	52.80	74.65
		Moreland	175	18.42	23.08	27.74	32.40	44.05
		Waycinden	1,800	28.34	37.96	47.58	57.20	81.25
	Consumers Illinois	Candlewick	2,500	32.32	41.48	50.64	59.80	82.70
		Kankakee	19,100	19.17	22.96	26.75	30.54	40.01
		University Park	1,600	18.49	21.77	25.04	28.31	36.49
	Galena Territory		1,750	20.52	25.56	30.60	35.64	48.24
	Illinois-American	Sterling	6,400	20.23	24.49	28.74	33.00	43.65
CENTRAL	South Beloit		1,900	9.73	12.80	15.87	18.93	26.60
	Whispering Hills		2,150	17.70	23.98	30.26	36.54	52.24
	Consumers Illinois	Vermilion	17,000	25.35	31.60	37.85	44.10	59.73
		Champaign	43,600	16.50	20.39	24.28	28.18	37.91
		Lincoln	5,800	21.39	27.84	34.29	40.75	56.88
		Pekin	13,500	20.19	23.84	27.48	31.13	40.24
		Peoria	48,800	24.12	29.42	34.71	40.01	53.26
		Pontiac	4,100	25.99	32.07	38.15	44.23	59.43
		Streator	7,750	22.14	27.31	32.48	37.66	50.59
	Illinois-American							
	Illinois-American							
	Illinois-American							
SOUTHERN	Illinois-American	Southern	86,000	22.33	27.63	32.92	38.22	51.47

DISCLAIMER: While an effort has been made to insure the accuracy of these statistics, it is not possible to vouch for their complete accuracy.

SECTION 3

A Discussion of Energy Planning

(3) *A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:*

(a) *the extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;*

(b) *"A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."*

(c) *"A Discussion of the Powers by which the Commission is implementing the Planning Responsibilities of Article VIII, including the description of the staff and budget assigned to such function, the procedures by which Commission staff reviews and analyzes energy plans submitted by utilities, Department of Energy and Natural Resources, and any other person or party."*

**ENERGY PROGRAMS DIVISION
INTEGRATED RESOURCE PLANNING**

Integrated Resource Planning Program

Section 8-402 of the Public Utilities Act, which set forth the Commission's resource planning responsibilities, was repealed by P.A. 90-561, effective December 16, 1997. The Commission disbanded the Energy Programs Division immediately thereafter.

COGENERATION

Commission Rule

The rules for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois are established by 83 Ill. Adm. Code Part 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 on page 24 lists 2000 avoided costs as filed annually by Illinois electric utilities.

Section 8-403 of the Public Utilities Act requires the Commission to conduct a study of procedures and policies to encourage the full and economical utilization of cogeneration and small power production. Pursuant to Section 8-403, the Commission submitted reports to the Governor and General Assembly in 1986 and 1987.

Special Rates

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of the utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

TABLE 3-1
Avoided Cost Rate Structure of Illinois Electric Utilities (1)
(2000)

	Summer Rates	Winter Rates
Central Illinois Light		
On-Peak	2.69¢/Kwh	2.02¢/Kwh
Off-Peak	1.96¢/Kwh	1.78¢/Kwh
Central Illinois Public Service		
On-Peak	2.27¢/Kwh	2.27¢/Kwh
Off-Peak	2.27¢/Kwh	2.27¢/Kwh
Commonwealth Edison		
On-Peak	1.81¢/Kwh	1.51¢/Kwh
Off-Peak	0.95¢/Kwh	0.93¢/Kwh
Illinois Power		
On-Peak	1.56¢/Kwh	1.34¢/Kwh
Off-Peak	1.17¢/Kwh	1.19¢/Kwh
Interstate Power		
On-Peak	2.62¢/Kwh	2.19¢/Kwh
Off-Peak	1.07¢/Kwh	1.22¢/Kwh
MidAmerican Energy		
On-Peak	2.10¢/Kwh	1.39¢/Kwh
Off-Peak	1.00¢/Kwh	0.98¢/Kwh
Mt. Carmel Public Utility		
On-Peak	1.69¢/Kwh	1.69¢/Kwh
Off-Peak	1.69¢/Kwh	1.69¢/Kwh
South Beloit Water Gas & Electric		
On-Peak	3.12¢/Kwh	2.71¢/Kwh
Off-Peak	1.38¢/Kwh	1.52¢/Kwh
Union Electric		
On-Peak	1.74¢/Kwh	1.44¢/Kwh
Off-Peak	1.27¢/Kwh	1.43¢/Kwh

Source: Annual Filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

(1) Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions.

SECTION 4

Availability of Utility Services to All Persons

(4) A discussion of the extent to which utility services are available to all Illinois citizens including:

(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.

The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 1999 through November 2000 are as follows.

The average total residential class customer base equaled 6,888,756 households. In this class 262,129 accounts were disconnected and 178,957 were reconnected. This yields a 68 percent reconnection rate leaving 83,172 accounts not reconnected. The disconnected accounts represent 3.8 percent of the average residential customer base, while those accounts not reconnected represent a rate of 2.6 percent.

(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.

The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities which serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of current regulations designed to promote and preserve the availability and affordability of residential utility services.

Temperature-Based Termination

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 4 hours will be 32° or below, or on a day before a holiday or weekend when the weather is forecasted to be 32° or below any time before the next business day.

Preferred Payment Date

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

Deferred Payment Agreement

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 1999 - 2000 and who were given a payment plan, 53 percent were allowed 6 months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

Reconnection

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Community Affairs.

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 1999, letters were sent to 41,053 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 4,390 former customers requested that their service be reconnected. Of these, 644 customers were reconnected upon payment of the total bill and 3,218 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 528 customers were denied. The reasons for denial are categorized as follows:

- 90 former customers failed to make a required down payment;
- 382 former customers failed to pay one-third of the amounts billed since December 1, 1998;

- 32 former customers had been reconnected under this rule last year; and
- 24 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 30,837 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

Financial Assistance:

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Community Affairs. LIHEAP provides a one-time grant to eligible low-income customers.

(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.

Uncollectible expenses for utilities represent revenues billed but not received for services rendered. Efforts are made to recover such revenues, but, after a certain period of time and effort, these amounts are charged as an expense and recovered in the regular rates charged to all customers.

The level of uncollectible expense is not perceived as a significant problem at the privately-owned water and/or sewer utilities in Illinois. Therefore, no effort has been made to analyze in detail the explicit data for those utilities.

To illustrate the amount of uncollectible expense for gas and electric utilities, the year 1999 was chosen. Data for 1999 were used for this analysis since these were the most recent data available at the Commission. The actual amount recovered in utility rates at any one time depends on the test year chosen for the utility's last rate case. For example, if a utility utilized a 1990 test year for its last rate case, the amount of uncollectible expense approved for the test year is embodied in that utility's rates until the next rate case. However, the level of uncollectible expense for the year of the utility's most recent annual report, 1999, was chosen because that year better indicates the current level of uncollectibles.

Electric Utilities

Total Uncollectible Expense for all companies was \$96,796,370 in 1999 as compared to \$74,652,889 in 1998. This represented 0.99% of Total Operating Revenues of \$9,790,024,128 in 1999 and 0.72% of Total Operating Revenues of \$10,321,409,756 in 1998. ComEd had the largest amount of Uncollectible Expenses with \$86,810,818 in 1999 and \$61,343,877 in 1998. This represented 1.28% of Total Operating Revenues in 1999 and 0.86% in 1998. The results are shown in Table 4-1 on page 28.

Gas Utilities

Total Uncollectible Expense for all companies was \$37,725,249 in 1999 as compared to \$39,495,181 in 1998. This represents 1.22% of Total Operating Revenues of \$3,098,187,073 in 1999 and 1.37% of Total Operating Revenues of \$2,883,290,957 in 1998. Peoples had the largest amount of Uncollectible Expenses with \$20,682,199 in 1999 and \$20,453,557 in 1998. This represented 2.30% of Total Operating Revenues in 1999 and 2.45% in 1998. The results are shown in Table 4-2 on page 29.

Table 4-1
Illinois Electric Utilities
Comparison of Uncollectible Expense to Total Revenues
1999-1998

<u>Electric Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
CILCO.	733,616	1,250,000	372,892,375	360,173,105	0.20%	0.35%
AmerenCIPS	2,700,504	3,678,960	743,812,439	721,918,287	0.36%	0.51%
ComEd	86,810,818	61,343,877	6,766,892,026	7,135,879,302	1.28%	0.86%
Illinois Power	5,484,751	6,794,220	1,598,736,950	1,781,388,424	0.34%	0.38%
Interstate Power *	18,946	13,767	18,596,993	17,382,870	0.10%	0.08%
MidAmerican *	384,692	420,650	123,890,374	125,342,549	0.31%	0.34%
Mt. Carmel	26,323	9,030	9,637,311	9,906,397	0.27%	0.09%
South Beloit	123,327	44,069	10,917,245	10,638,774	1.13%	0.41%
AmerenUE *	513,392	1,098,316	144,648,415	158,780,048	0.35%	0.69%
Total	96,796,370	74,652,889	9,790,024,128	10,321,409,756	0.99%	0.72%

* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

Table 4-2
Illinois Gas Utilities
Comparison of Uncollectible Expense to Total Revenue
1999-1998

<u>Gas Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
CILCO	733,616	1,250,026	189,631,609	180,918,826	0.39%	0.69%
AmerenCIPS	703,800	588,000	132,646,258	125,505,712	0.53%	0.47%
Consumers Gas	17,788	25,023	3,985,043	3,775,784	0.45%	0.66%
Illinois Gas	27,349	38,909	7,621,034	7,435,647	0.36%	0.52%
Illinois Power	2,358,455	3,343,614	304,369,364	287,757,819	0.77%	1.16%
Interstate Power *	4,453	6,159	3,896,382	3,628,536	0.11%	0.17%
MidAmerican *	306,122	305,112	47,894,085	44,230,548	0.64%	0.69%
Mt. Carmel	9,872	5,863	2,445,470	2,312,535	0.40%	0.25%
North Shore	724,577	652,219	145,730,271	131,336,561	0.50%	0.50%
Nicor Gas	11,769,998	12,617,000	1,326,218,896	1,228,997,354	0.89%	1.03%
Peoples Gas	20,682,199	20,453,557	901,183,506	835,404,932	2.30%	2.45%
South Beloit	60,212	28,428	4,984,311	5,307,177	1.21%	0.54%
AmerenUE *	101,329	125,741	12,190,813	10,856,499	0.83%	1.16%
United Cities *	225,479	55,530	15,390,031	15,823,027	1.47%	0.35%
Total	37,725,249	39,495,181	3,098,187,073	2,883,290,957	1.22%	1.37%

* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

CONSUMER EDUCATION ACTIVITIES

Customer Choice—"Plug In Illinois"

Section 16-117 of the Public Utilities Act, the Illinois Electric Service Customer Choice Rate and Rate Relief Law of 1997, restructures the state's electric utility industry. It requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities. In accordance with the law, the ICC formed a working group in July 1998 consisting of representatives of the investor-owned utilities, alternative retail electric suppliers, consumer organizations, and ICC staff to develop the information. To meet the mandate, the working group developed a competitively-neutral brochure and bill insert for small commercial retail customers and made recommendations for the consumer education plan's implementation. The Commission approved the materials in March 1999 and approved updates to the bill insert October 2000.

Because the law provides for a phased-in schedule for customer choice, this year's initial efforts continued to target those first eligible – the approximately 66,000 non-residential customers eligible October 1, 1999, then the industrial/manufacturing customers eligible in June 2000, followed by the nearly 500,000 non-residential customers eligible December 31, 2000. Utilities with eligible industrial/manufacturing customers completed the required mailing of the bill insert during May 2000, and all utilities distributed the bill insert to non-residential customers during November 2000. The brochures continued to be made available through the ICC's toll-free phone number, the Plug In Illinois electric restructuring web site, utilities, and other organizations throughout the year.

Materials were presented at the Governor's Small Business Summit in January and at various speaking engagements and other business group events throughout the year. ICC spokespersons, including Executive Director Charles Fisher, the commissioners, and staff, spoke with groups such as the Building Owners Management Association, Chicago Athletic Club, Rotary clubs, and others. A video explaining the electric restructuring process was also shown at various business group meetings.

Media and outreach efforts helped educate the business community throughout the year with over 500 media and 300 business organizations contacts. Additionally, increased efforts were made prior to the June 2000 industrial/manufacturing and December 31 remaining non-residential customer choice dates. To that end nearly 300 media kits were sent to Illinois media contacts and grassroots organizations. Various news releases resulted in placements with wire services, daily and weekly newspapers, and business trades, often including interviews with ICC spokespersons.

The year-end campaign included an audio news release which resulted in more than 200 news broadcasts. A video news release was made available via satellite and resulted in 20 Illinois television broadcasts earning more than 1 million impressions. A public service announcement distributed in late December earned broadcast commitments from more than 15 stations and cable systems during December 2000 with an estimated 800,000 impressions. Advertisements in trade publications, newspapers, and radio were placed to make business customers aware of the availability of information from the ICC and the ICC's web site. Trade publication and business organization on-line advertising and web site links further served to educate customers regarding the availability of information on electric choice. An estimated 10 million impressions were achieved for both paid and earned media coverage.

The ICC Plug In Illinois web site contains an overview of the electric service restructuring and customer choices, the brochure content in text form as well as the brochure and bill insert in downloadable formats, a timeline, eligibility and lottery information, a list of suppliers (both certified and pending), frequently asked questions, and other information. It also includes e-mail links for comments, questions, and complaints and a survey box for users to indicate if they found the web site helpful. The web site continues to be updated with new and additional information, including ARES/supplier changes, as needed, to enhance its effectiveness.

This year, the Plug In Illinois web site has recorded more than 75,000 "hits" -- peaking during the June/July industrial/manufacturing eligibility period and increasing again in October through December, coinciding with the beginning of electric choice for all remaining non-residential customers and distribution of the bill insert and other communications. A short survey is included on the web site as well, with 91% of respondents indicating that the site was helpful. Comments received through the year also indicated that users found the site helpful in terms of finding information as well as locating additional resources.

A survey was conducted in December 2000 interviewing 250 small retail commercial customers statewide to assess the effectiveness of the consumer education program. Highlights of the survey are:

- ?? Most respondents have heard at least "a little" about the restructuring of the Illinois electric utility industry.
- ?? Two-thirds have heard or read something regarding the option to choose who supplies the generation portion of their electricity. More than three-fourths are aware of the option to choose an electric supplier.
- ?? Interest in receiving additional information about choices for electric power is high.
- ?? Almost half of respondents are aware that additional information about electrical service restructuring is available from Illinois Commerce Commission.

Approximately 9,000 brochures, 780,000 bill inserts, and about 25 videos were distributed during the year 2000. Distribution channels included the ICC web site, ICC toll-free number, utilities, ARES, and other organizations.

SECTION 5

Implementation of the Commission's Statutory Responsibilities

(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:

(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.

During 2000, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports. Ongoing organizational changes are reported on page 6.

(5-b) Commission responsibilities for construction and rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.

CONSTRUCTION AUDITS

Statutory Requirements

Section 8-407(b) and 9-213 of the 1986 Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407(b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If a construction audit is performed by an independent consultant, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

Commission Responsibilities

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued to the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

Section 8-407(b) Activities

No activities were required during 2000.

Section 9-213 Activities

No activities were required during 2000.

MANAGEMENT AUDITS

Statutory Requirements

The Commission has authority under Section 8102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

Commission Responsibilities

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefor, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefor." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

No auditing activities were undertaken during 2000.

Excess Capacity and Used and Useful

Section 9-215 of the Public Utilities Act gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 2000.

RATE MODERATION PLAN

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan which would lessen rate impacts associated with new power plants coming into service.

During 2000, no new power plants were placed in service in Illinois. As a result, the Commission did not use its authority to adopt a rate moderation plan.

COST-BASED RATES

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the act states that the cost of supplying public utility services should be allocated to those who cause the costs to be incurred [Sec. 1-102(d)(iii)]. The need to base rates on costs has increased as the

utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers, and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 1993-2000.

A total of twelve gas and three electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by Iowa-Illinois Gas and Electric (IIGE), which is now MidAmerican, Illinois Power, CILCO, Peoples, North Shore, Nicor Gas, Mt. Carmel, Illinois Gas, AmerenCIPS, AmerenUE, United Cities and Consumers Gas. Electric rate cases were filed by MidAmerican, ComEd and Mt. Carmel. The electric delivery service cases were filed by ComEd, Illinois Power, AmerenCIPS, AmerenUE, Mt. Carmel, MidAmerican, CILCO, South Beloit and Interstate Power. Additionally, except for Mt. Carmel, the same electric Companies filed for unbundling of delivery services.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing

The Public Utilities Act also required that CILCO, AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates.

Electric Utilities

In the IIGE electric rate case (Docket Nos. 92-0292, 92-0357 Consolidated), the Commission accepted an interclass revenues allocation which reduced cost subsidies by 25% according to embedded costs and a more cost-based rate design.

In the ComEd case (Docket No. 94-0065), the Commission moved towards cost-based rates based on the equal percentage of marginal costs approach and individual rate elements for all rate classes closer to marginal costs.

The delivery service tariff cases involved nine electric utilities:

- AmerenCIPS and AmerenUE (Docket No. 99-0121)
- MidAmerican (Docket Nos. 99-0122 & 99-0130)
- CILCO (Docket Nos. 99-0119 & 99-0131 cons.)
- ComEd (Docket No. 99-0117)
- Illinois Power (Docket Nos. 99-0120, 99-0134 & 99-0140 cons.)
- Interstate Power and South Beloit (Docket Nos. 99-0124, 99-0125, 99-0132 & 00-0133 cons.)
- Mt. Carmel (Docket No. 99-0116)

Each delivery service proceeding consisted of taking a test year revenue requirement, which was made up of transmission, distribution, and generation components, and separating these components out for cost of service purposes. The generation component will be market based, while the transmission component will be regulated by FERC. The goal was to have cost-based delivery service rates which represent the distribution portion of the electric system. The Commission approved cost-based rates for each utility. Approval of cost-based rates helps facilitate the next stage of deregulation, which is unbundling. Competition for unbundled services will largely depend on cost-based delivery service rates.

In the unbundling cases (Docket No. 99-0013), all utilities, except Mt. Carmel, filed tariffs for the unbundling of metering services. Staff reviewed those filings, and the Commission Order was issued on October 4,

2000, and will become effective on January 1, 2001. Cost-based rates for unbundled delivery services will be a prime factor in initiating competition in Illinois.

Delivery services tariffs for residential customers must become effective no later than May 1, 2002. As part of their plans for delivery services, AmerenCIPS and AmerenUE filed new residential delivery services tariffs, and also filed updated non-residential delivery services tariffs, in December, 2000. The remaining utilities are expected to file their residential delivery services cases by mid-2001.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing. The appropriate filings were made and the rates became effective on October 1, 2000.

The Public Utilities Act also required that CILCO, AmerenCIPS and AmerenUE compare their bundled residential rates to the average residential rate of a group of Midwest utilities (Midwest average). The review of rates revealed that AmerenCIPS' and AmerenUE's residential rates were below the Midwest average and were not required to implement a rate reduction. CILCO's residential rate was found to be higher than the Midwest average, and CILCO reduced its residential rates by the mandatory 2% on October 1, 2000.

Gas Utilities

In the IIGE case (Docket Nos. 92-0292, 92-0357 Consolidated), the Commission determined that interclass cost subsidies should be reduced subject only to the constraint that no customer class receive a total revenue increase of more than 10% and that individual rate elements should be more closely aligned to costs.

In the IP case (Docket No. 93-0183), the Commission adopted an allocation of base revenues which effectively eliminated interclass subsidies at then-current rate levels.

In the CILCO case (Docket No. 94-0040), the Commission decision was to more closely align rates with costs through a 75% reduction in interclass subsidies and more cost-based rate designs.

In the North Shore and Peoples cases (Dockets no. 95-0031 and 95-0032), the Commission adopted the Average and Peak allocator method. The Commission also made further progress towards cost-based interclass revenue allocations.

In the Nicor Gas case (Docket No. 95-0219), the Commission again adopted the Average and Peak allocator method. The Commission adopted a revenue allocation that significantly reduced interclass subsidies and initiated cost-based rate designs.

In the Mt. Carmel gas and electric case (Docket No. 97-0513), the Company performed a cost of service study (COSS), as did Staff. The Commission concluded that rates agreed to by the parties made movement towards subsidy elimination, while recognizing customer impact concerns.

In the Illinois Gas Company case (Docket No. 98-0298), the Company submitted an embedded cost of service study utilizing GasWorks 1.0, which is a COSS program designed by the Commission Staff. Staff proposed a few minor allocation changes, which the Company accepted. Staff proposed and the Commission accepted Staff's interclass allocation methodology, which eliminated cross-subsidization between rate classes. Staff and the Company agreed to class rate design which made movement towards intraclass subsidy elimination, while recognizing customer impact concerns.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 98-0545 and 98-0546), both the Company and Staff provided cost of service studies. Staff however, proposed using the average and peak allocation method for allocating capacity-related transmission and distribution costs. The Company accepted Staff's COSS and interclass revenue allocation methodologies in the rebuttal stage of the proceeding. In both cases, Staff

proposed basing the customer charge for the general delivery service rates on meter capacity. This resulted in two customer charges, for both AmerenCIPS and AmerenUE' general service rate class, compared to the Company's proposal of one rate. Staff stated that since there is such a diverse group of customers with substantially different sized meters in the classes, separating them by meter capacity will further eliminate intra-class subsidies. The Company and Commission agreed. The Company and Staff agreed to a rate design methodology that made considerable movement towards intra-class subsidy elimination. All parties agreed that full movement toward fully cost-based rates would cause undue negative customer impacts.

In the MidAmerican case (Docket No. 99-0534) the Company performed a cost of service study and based the proposed rates on cost of service. Staff of the Commission reviewed that study and presented testimony. An order was entered and the rates became effective in July, 2000.

In the United Cities case (Docket No. 00-0282), the Company accepted the COSS and the rate design proposed by Staff. The Staff-designed rates included increased costs in the customer charges that more properly reflect the true cost of service.

In the Consumers Gas case (Docket No. 00-0618), which was filed in September, 2000, the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff will review that study and present testimony. An order is expected to be entered by early 2001.

MERGERS

On April 3, 2000, Interstate Power and Light Company filed a joint application for approval of merger and reorganization, under Sections 7-102, 7-204, and 7-204A, by which Interstate Power would merge all of its jurisdictional facilities with IEC Utilities inc., an Iowa corporation. The surviving corporation will be renamed Interstate Power and Light Company. There was an investigation and hearing.

ASSET TRANSFER OR SALE

AmerenUE filed a petition for the transfer of all of its Illinois electric facilities and business to AmerenCIPS and a petition for the transfer of its Illinois gas facilities and business to AmerenCIPS. There was an investigation and hearing for the transfer of the Illinois electric facilities and business. The investigation for the transfer of the gas facilities and business is ongoing.

The following transactions required only informational filings by the utility: ComEd: transfer of office assets and conduct of business to PECO; transfer of various miscellaneous assets associated with generating facilities to PECO; transfer of the principle amount of a promissory note from Unicom Investment Inc. to Exelon; transfer of 10 equal payments from Fermi to ABB Energy Capital; sale of an office building in Chicago, Illinois to the Joffrey Ballet of Chicago; and sale of capital stock in Cotter Corporation to General Atomics, MidAmerican's write off of its Illinois portion of its investment in the Cooper power purchase contract and the accelerated recovery of the Quad Cities Nuclear Station, and South Beloit's transfer of transmission assets to American Transmission Company, LLC.

DECOMMISSIONING

On September 12, 1988, the Governor signed into law Public Act 85-1400 adding a new Section 8-508.1 to the Public Utilities Act. This required every utility owning a nuclear power plant (Commonwealth Edison, Illinois Power, Iowa-Illinois Gas and Electric, and Union Electric) to establish trust funds to pay for the eventual decommissioning of the plants. These trust funds have been established and are being funded. During 2000, the Commission monitored the performance of the trust funds.

The Energy Policy Act of 1992 (EPAct) affected nuclear decommissioning trust funds in two ways. First, the corporate income tax rate that is applied to all taxable trust fund earnings was reduced to 20% beginning in 1996. The EPAct also provided for the elimination of the Black Lung Disability Trust Fund investment

restrictions for qualified trust funds, thereby broadening investment options. All utilities have received authorization to invest a limited portion of their trust funds in common equity securities in order to improve the after tax returns and reduce future funding requirements from ratepayers.

Section 9-201.5 of the Public Utilities Act, which became effective January 1, 1995, authorizes an electric utility to establish a "decommissioning rate" to "reflect changes in, or additional or reduced costs of, decommissioning nuclear power plants." Pursuant to this provision, Commonwealth Edison received approval in its rate case Docket No. 94-0065 for its Rider 31 (Decommissioning Expense Adjustment Clause). The Company is required to annually file with the Commission, on or before February 28 of each year, its proposed decommissioning expense adjustment for the period beginning May 1 of that year and ending April 30 of the succeeding year. On February 28, 2000 ComEd filed for its 2000 rider revision. This case is still pending before the Commission.

On May 18, 2000, Commonwealth Edison filed a petition with the Commission for a revised nuclear decommissioning expense rider. In a separate filing with the Commission, ComEd asked for approval to transfer the Company's nuclear generating stations to an unregulated affiliate company. ComEd asked the Commission for permission to revise its decommissioning Rider to allow for the continued collection of decommissioning expenses from ComEd ratepayers after the transfer of ComEd's nuclear generating stations to the unregulated affiliate. ComEd requested the Commission approve the collection of \$120.9 million per year for a period of six years at which time further collections would cease and ratepayers would no longer be responsible for decommissioning expenses. This docket is still pending before the Commission.

In Docket No. 95-0285, the Commission authorized MidAmerican Energy (formerly Iowa-Illinois Gas and Electric) to continue using its Nuclear Decommissioning Expense Rider under Section 9-201.5(d) of the Act. MidAmerican's rider requires the Company to file revisions to its rider by November 1 of each year.

Section 16-114 of the Public Utilities Act became effective on December 16, 1997. This section of the Act requires electric utilities which own nuclear generating facilities to file tariffs to collect decommissioning costs for every kilowatt-hour of electricity delivered or sold at retail in the utility's service area. The intent of this section is to make nuclear decommissioning costs a non-bypassable cost under customer choice. The section also requires that utilities which recover all or part of their decommissioning costs through base rates, to remove the cost from base rates and collect it through a decommissioning rider conforming to the requirements of section 9-201.5. Section 16-114 requires that utilities make their filings pursuant to the section by April 1, 1999. All utilities made their filings pursuant to this section on or before this date.

Section 16-114.1 of the act became effective on June 30, 1999. This section allowed an electric utility which owns a single unit nuclear power plant in Illinois and who enters into an agreement to sell the plant, to make contributions to the decommissioning trusts after the unit is sold, in accordance with other requirements in the section. On November 1, 1999, Illinois Power filed a petition pursuant to section 16-114.1. Illinois Power had entered into an agreement to sell the Clinton Nuclear Power Station. The petition asked the Commission to approve a revised decommissioning rider for Clinton which would collect over a period of five years, an aggregate amount of \$18,470,325, after which the rider would terminate. On November 23, 1999, the Commission entered an order in docket no. 99-0578 that approved IP's request.

(5-c) Promulgation and application of rules concerning ex parte communications, circulation of recommended orders and transcription of closed meetings.

The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2000 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of The Public Utilities Act.

SECTION 6

Appeals from Commission Orders

(6) A description of all appeals taken from Commission orders, findings or decisions and the status and outcome of such appeals.

This section includes only appeals either filed in 2000 or upon which a judicial decision was received in 2000. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or amicus.

I. APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2000

A. Under the Public Utilities Act, 220 ILCS 5

<u>Description</u>	<u>No. of Appeals</u>
1. Appeals from grant or denial of merger of public utility corporations under Section 7-204 and other provisions of the Public Utilities Act	2
2. Appeal from grant or denial of rate changes under Section 9-201 of the Public Utilities Act	1
3. Appeal from investigation of justness and reasonableness of rates of public utilities under Section 9-250 of the Public Utilities Act	1
4. Appeals from establishment of delivery service implementation plans and delivery service tariffs under Sections 16-105 and 16-108 of the Public Utilities Act	4
5. Appeal from unbundling of delivery services under Section 16-108 of the Public Utilities Act	1
6. Appeals from grant or denial of transfer of generating or other assets pursuant to Section 16-111(g) of the Public Utilities Act	2
7. Appeals from establishment of alternative market-based tariffs under Section 16-112 and Article IX of the Public Utilities Act	3

B. Under Other Utility-Related Acts

Appeal to Illinois Appellate Court from arbitration decision rendered under 47 USC 252 (b)	1
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C. Status

All appeals taken in the year, 2000, are still pending except for one of the Section 16-112 /Article IX appeals {Item 7 above}, which was dismissed, and except for two of the Sections 16-105 /16-108 appeals {Item 4 above}, which were decided. {See Section II. A. 1. (c) and 2. (a) respectively.}

II. APPEALS DECIDED IN 2000

A. Under the Public Utilities Act, 220 ILCS 5

1. Cases dismissed without opinion and with no further action expected.

<u>Description</u>	<u>No. of Cases</u>
(a) Appeals from grant or denial of merger of public utility corporations under Section 7-204 and other provisions of the Public Utilities Act	3
(b) Appeals from establishment of delivery service implementation plans and delivery service tariffs under Sections 16-105 and 16-108 of the Public Utilities Act	3
(c) Appeal from establishment of alternative market-based tariffs under Section 16-112 and Article IX of the Public Utilities Act	1

2. Cases in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)

(a) Central Illinois Light Co. v. Illinois Commerce Commission et al.

Illinois Appellate Court, Fourth District
Docket Nos. 3-99-0898, 4-00-0367 & 4-00-0460

Appeals from establishment of delivery service implementation plans and delivery service tariffs under Sections 16-105 and 16-108 of the Public Utilities Act

Central Illinois Light Co. (CILCO) took three appeals from two orders of the Commission in a single Commission docket. The underlying Commission docket involved the establishment of CILCO's delivery service tariffs. CILCO's appeals were heard in the Fourth District because an appeal by another party had been the first to be filed, although that party had dismissed voluntarily its appeal prior to briefing in the Appellate Court.

In a Rule 23 Order, filed on November 30, 2000, the Illinois Appellate Court affirmed the Commission's Orders on all but one issue. The Appellate Court also ruled on the propriety of each of CILCO's three appeals. The procedural aspects will be reviewed first.

In this case, the Commission had entered its final order on August 25, 1999. On October 12, 1999, the Commission had denied all pending applications for rehearing and had reopened the docket on its own motion. CILCO took an immediate appeal (3-99-0898), a second appeal after the Order on Reopening had been issued by the Commission (4-00-0367), and subsequently a third appeal after CILCO's new application for rehearing had been denied by the Commission on May 2, 2000 (4-00-0460).

The Court held that the second appeal (4-00-0367) was wholly improper since the appeal had been taken without the Commission ruling on an application for rehearing. In the Court's view, the reopened proceeding constituted its own, stand-alone proceeding, since all original applications for rehearing had been denied. Therefore, the Court held that the first appeal (3-99-0898) had been the proper one for CILCO's challenges to the Commission decisions concerning CILCO's delivery service tariffs. The third appeal (4-00-0460), although proper, was dismissed as moot, since CILCO raised no issue related to the limited issues decided on reopening.

CILCO had raised five substantive issues, namely, (1) the Commission erred in determining the amount of general plant expense to be included in the delivery service rate base; (2) the Commission erred in determining the amount of administrative and general expense to include in the delivery service revenue requirement; (3) the Commission erred in not adjusting the just and reasonable amount allowed for return on common equity; (4) the Commission erred for prohibiting CILCO from imposing the use of interval metering as a mandatory requirement; and (5) the Commission erred in denying CILCO's request for an administrative fee for arranging to provide purchase power service.

On issues (1) through (4), the Appellate Court held that the Commission's decisions were based on evidence and were not contrary to any provision of the Public Utilities Act, 220 ILCS 5, and the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16. On issue (5), the Court held that the Commission order had insufficient findings to deny the administrative fee, provided for in Section 16-110 (b) (ii) of the Acts, above cited. The Court remanded the cause for the Commission either to provide explicit substantive reasons why CILCO should not get such a fee or to determine the amount of the administrative fee based on the evidence in the case.

(b) Citizens Utility Board, et al. v. Illinois Commerce Commission and GTE North, Inc.

Illinois Appellate Court, Third District
Docket No. 3-99-0944, 3-99-0949, & 3-99-0965 (cons.)

**Appeals from grant or denial of complaints related
to the establishment of usage sensitive local
telecommunications services under various sections
in Articles IX, X, and XIII of the Public Utilities Act**

The Petitioners to the Appellate Court had filed or joined complaints before the Commission, challenging GTE North's conversion of its exchanges from flat-rated local service to usage sensitive charges. Such conversions had been allowed on a revenue-neutral basis, that is, GTE North was to receive roughly no more and no less revenue from an exchange under a usage sensitive service plan than a flat rate plan.

Because the evidence showed that GTE North had increase its revenue after the conversion to usage-sensitive service, the Commission established an untimed, extended area service rate based on the record evidence. However, on the issue of discrimination to its rural customers, the Commission found that the evidence did not show that GTE North's charges to its rural customers were unrelated to its cost of providing service to those customers. Therefore, no discrimination was found.

On August 2, 2000, the Illinois Appellate Court affirmed the Commission's decision on discrimination. The Court expressed some concern over the fact that the burden of proof is on complainants to prove their claims, but agreed that the complainants had failed to prove that the rates charged by GTE North to rural customers are not cost based.

- (c) Illinois Power Co. v. Illinois Commerce Commission and the Town of Normal

Illinois Appellate Court, Fourth District
Docket No. 4-99-0033

Appeal from denial of petition for declaratory ruling

Illinois Power Co. (IP) filed an amended complaint and a request for declaratory relief against the Town of Normal (Normal) before the Commission. The issue had to do with Normal's alleged interference with necessary tree-trimming and vegetation clearance by IP of its powerlines. The Commission granted Normal's Motion to Dismiss because (1) the request for declaratory relief was beyond the Commission's authority, (2) IP had not filed a tariff with the Commission and, therefore, the Commission could not decide the issue of home-rule municipal powers versus state-established utility practices, (3) the request to pass-through fines to its customers required that IP file a proper rate case, and (4) the Commission has no authority to reform the franchise agreement between IP and Normal.

On February 29, 2000, the Illinois Appellate Court affirmed the Commission's dismissal of IP's complaint and request for declaratory relief in a Rule 23 Order. The Court agreed that all of IP's requests for declaratory relief were beyond Commission jurisdiction. The Court also agreed that there was no statutory support for the Commission to declare Normal's ordinance invalid or to reform the franchise agreement of IP and Normal.

- (d) Illinois Power Co. and AMEREN Corp. (Central Illinois Public Service Co. and Union Electric Co.) v. Illinois Commerce Commission, et al.

Illinois Appellate Court, Fifth District
Docket Nos. 5-98-0808

Appeal from rules concerning non-discrimination in service under Section 16-121

On September 6, 2000, the Illinois Appellate Court by a Rule 23 Order affirmed the Commission's order, which had adopted final rules. The regulations involved sought to prohibit electric utilities from discriminating between alternative retail electric suppliers ("ARES"), which are affiliated with a public utility, and other ARES.

The utilities challenged certain of the established rules on the basis of unconstitutional interference with commercial speech. The rules in question eliminated or limited the public utility from jointly advertising or marketing with its affiliated ARES. The Court found, however, that the restraint was within Constitutional limits.

The utilities further argued that certain of the regulations were contrary to the underlying provisions of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16. Again, the rules had to do with prohibiting special or favorable treatment of affiliated ARES by the public utility. The Court found that none of the rules were in conflict with the statute.

Finally, the utilities argued that several of the rules were arbitrary and capricious, were unsupported by substantial evidence or were based on an inadequate record. Besides the rules mentioned above, the utilities challenged rules barring or limiting the use of employees by both the utility and its affiliated ARES and the sharing of information with only the affiliated ARES. The Court found that the questioned rules were not arbitrary, capricious, or overly burdensome.

- (e) MidAmerican Energy Co. v. Illinois Commerce Commission

**Appeal from grant or denial of rate adjustment related to
nuclear power plant decommissioning under Section 9-201.5**

On August 8, 2000, the Illinois Appellate Court in a Rule 23 Order affirmed the underlying Commission decision in a case involving the decommissioning of two nuclear power stations partially owned by MidAmerican Energy Co. ("MidAmerican").

MidAmerican had sought to include site restoration costs in its decommissioning charges to existing customers. The Commission had denied recovery of costs for site restoration on one nuclear plant and had allowed only partial recovery on the other.

MidAmerican had challenged the Commission's Order on whether the complete denial of site restoration costs was supported by substantial evidence. The Court held that the Commission could rely on the evidence of its Staff witness. The Commission had previously denied site restoration, and the Staff witness had testified that there was no change in the underlying facts in this case as compared to the previous case. In addition, the majority owner and operator of that nuclear plant had not sought site restoration costs in its last rate case involving that nuclear plant.

MidAmerican had also challenged the amount of decommissioning percentages to be allocated to Illinois ratepayers. The Commission had changed its past decommissioning practices. The Court affirmed the Commission, since its decision was based on the evidence in this record and that the Commission is not subject to *res judicata*.

Finally, MidAmerican challenged the Commission's denial of interim spent fuel storage installation costs. The need for this storage arises from the failure of the U.S. Department of Energy ("DOE") to establish a storage facility and to accept spent fuel rods beginning in January 1998 as required by law. The Court agreed with the Commission that it is premature to determine how much these additional costs will be and from whom the costs will be recovered. There are on-going lawsuits concerning the effect of DOE's breach of the law on its contracts with the nuclear energy producers.

B. Under other Utility Related Acts

1. Cases dismissed without opinion and with no further action expected.

<u>Description</u>	<u>No. of cases</u>
Appeal from grant or denial of exemptions from requirements of 47 USC 251	1

2. Cases in which decisions were rendered.

None

SECTION 7

Studies and Investigations Required by State Statutes

(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.

Section 4-305: Emission Allowance Reports

Section 4305 directs the Illinois Commerce Commission to collect from each utility and each affiliated interest of a public utility owning an electric generating station, on a quarterly basis, information relating to the acquisition or sale of sulfur-dioxide emission allowances, as defined in Title IV of the Federal Clean Air Act Amendments of 1990. The Commission is also directed to include such information in each of its annual reports, beginning with the 1993 annual report due January 31, 1994.

As of December 31, 2000, the Commission has received first, second, and third calendar reports for 1999 from four public utilities with generating units affected by the Clean Air Act: Alliant (Interstate Power), AmerenUE, Central Illinois Light Company, and MidAmerican Energy Company. The Commission has also received first, second, and third quarter reports for 2000 from Electric Energy Inc.¹ (an affiliate of Illinois Power), AmerenUE, and AmerenCIPS and from Rocky Road Power LLC² (an affiliate of Illinois Power). During 1999, Illinois Power transferred its fossil-fuel electric generating plants to an affiliate (Dynergy Midwest Generation Inc³), and AmerenCIPS transferred its fossil-fuel electric generating plants to an affiliate (Ameren Energy Generating Company⁴). However, also during 1999, Commonwealth Edison transferred its fossil-fuel electric generating plants to Edison Mission Energy, which is not affiliated with Commonwealth Edison. All utilities and affiliated interests subject to the Section 4-305 reporting requirements are currently in compliance. Appendix C contains the fourth quarterly report for 1999 and the first three quarterly reports for 2000 for all reporting entities. Because the forms require the reporting entities to record a running-total of all allowance allocations and transactions, the third quarter reports contain all information regarding the allocations and transactions that have occurred during the first three quarters of 1999.

Section 8-304: Estimated Billing Practices

Under this section, the Illinois Commerce Commission is required to perform a comprehensive study of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services.

For purposes of this study, the Commission selected the following major regulated public utilities providing natural gas and/or electric services to Illinois households:

Central Illinois Light Company
AmerenCIPS
Commonwealth Edison Company
Illinois Power Company
MidAmerican Energy Company
Northern Illinois Gas Company

¹ Electric Energy Inc is owned by Kentucky Utilities Company (20%), a subsidiary of Powergen plc, AmerenUE (40%), AmerenCIPS (20%), and Dynergy (20%). Ameren owns AmerenUE and AmerenCIPS. Dynergy owns Illinois Power.

² Rocky Road Power LLC is owned by Dynergy (50%) and by NRG Energy Inc (50%), a subsidiary of Xcel Energy Inc.

³ Dynergy Midwest Generation Inc is owned by Dynergy.

⁴ Ameren Energy Generating Company is owned by Ameren.

These eight utilities comprise over 95 percent of the regulated utility service sales to residential customers in Illinois.

The companies have provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and reading meters; the methods or formulas used for establishing the amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills. An analysis of the data received has been conducted by Commission staff.

Section 8-403: Cogeneration/Small Power Production

Section 8403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies.

This study was completed in 1987. No activities were required in 2000.

Section 8-405.1: Feasibility of Wheeling in Illinois

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled *Electric Wheeling in Illinois* to the General Assembly.

Section 9-202: Temporary Rate Increase

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, Commission rules set the necessary conditions for a temporary rate increase and provided for refunds with interest should the temporary rate increase granted exceed the permanent rate increase granted.

Section 9-214: Study of CWIP

The study was completed and was sent to the General Assembly on December 29, 1988. Please see the Commission's 1992 annual report, page 56, for details.

Section 9-216: Cancellation Costs

There are no plants under construction nor any requests for authority to construct new plants pending before the Commission and given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

Commonwealth Edison Outage Investigation

In late July and early August 1999, Commonwealth Edison Company experienced six large outages as a result of failed distribution equipment. As a result of these outages the Commission opened an investigation into ComEd's transmission and distribution system reliability. Vantage Consulting completed the first phase of this investigation in late 1999.

Liberty Consulting has worked throughout the year 2000 to complete the second and third phases of the investigation, which looked specifically at the planning, design, construction, maintenance, and operation of ComEd's transmission and distribution systems. In completing Stages II and III of the investigation, Liberty Consulting prepared, and the ICC released four reports that detail 92 recommendations for improvement. Liberty Consulting found that ComEd possessed good standards, policies, procedures, and practices, and good people to carry them out, but often failed to meet its own standards or follow its own procedures because it failed to budget enough money for necessary capital improvements and maintenance. Liberty Consulting also found that, in many aspects, ComEd was in a reactive mode of operation, often waiting for parts of its T&D systems to fail before taking any action and only attempting to improve the worst parts of its T&D systems.

In conjunction with these investigations, Commission staff members have been assigned to observe and monitor the subsequent "Rehab" programs instituted by ComEd and report on the company's efforts to re-establish the reliability of ComEd's transmission and distribution system.

Mercury Cleanup in Northern Illinois

In September, 2000, the Attorney General, joined by Cook and DuPage County, filed a lawsuit against NICOR and two of its contractors to compel a swift and effective cleanup of the mercury contamination caused by the past removal of mercury containing regulators within the homes of NICOR's residential customers. In addition to the lawsuit, the AG's office also formed a task force to monitor NICOR's mercury cleanup activities. The Commission took part in the task force and provided assistance in reviewing the plans and other documentation associated with the cleanup of the spilled mercury.

It was ultimately discovered that in addition to the mercury containing regulators, NICOR also had contamination problems due to mercury containing equipment used at the sites of larger customers and junkyards within NICOR's service territory. A similar, but smaller, contamination problem was also discovered for Peoples Gas and North Shore. Finally, a review of all Illinois natural gas providers located a limited number of mercury containing regulators being used by AmerenCIPS and Illinois Power.

ECONOMIC DEVELOPMENT PROGRAM

The Commission's economic development activities as directly related to the Illinois Public Utilities Act (PUA) are coordinated by the Financial Analysis Division (FAD). A summary of the program since its inception may be found in the 1996 and previous Commission annual reports.

The Commission coordinates its economic development activities with other state agencies, including the Department of Commerce and Community Affairs. Commission staff represent the Commission on inter-agency task forces that relate to the Commission's economic development activities. Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. Staff comments on tariff and/or rate filings by utilities and testimony in rate case proceedings serve to further articulate Commission policies in the area of economic development.

As implementation of customer choice continues, Commission rulemakings and decisions in the following areas will be assessed on an ongoing basis to evaluate impacts on economic development:

- requirements for alternative electric suppliers
- delivery services tariffs
- neutral fact finder process
- consumer education materials
- distributed resources
- real-time pricing

SECTION 8

Impacts of Federal Activity on State Utility Service

(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service.

COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS

The Federal Energy Regulatory Commission (FERC) regulates the rates for wholesale electricity sales and transmission, the sale or resale of natural gas by interstate pipelines, and the transportation of natural gas by interstate pipelines. The primary goal of the Illinois Commerce Commission's FERC Intervention Program is to ensure that the rules, policies, rates, and terms and conditions of service that FERC establishes for electric transmission service, bulk power sales, and natural gas pipeline transportation are fair and reasonable for Illinois energy consumers. The activities of the FERC Intervention Program are discussed in more detail in the following sections.

DEVELOPMENTS IN THE NATURAL GAS INDUSTRY

Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by FERC in 1992. In 2000, FERC continued to hone its interstate natural gas transportation policy through incremental modifications.

On February 9, 2000, FERC issued Order 637 in which it modified its rules concerning the natural gas industry. FERC's new rule seeks to improve the efficiency of the natural gas market and increase competition while continuing cost-of-service regulation where necessary to protect against the exercise of market power by pipelines. Changes involve modifications to FERC's ratesetting policies to enable rates to better reflect market demand and to reduce the rate burden on captive customers, improvements to the FERC's regulation of the pipeline grid to increase competition, and revisions to the FERC's reporting requirements.

Illinois also continues to see major activity in new interstate natural gas pipeline construction proposals. These proposals are in response to continued growth in natural gas demand and increased access to newer gas supply basins such as those in western Canada.

DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY

The focus on implementing comparable and nondiscriminatory access to electric transmission service continued in 2000.

In 1996, FERC issued Order 888. This landmark administrative rule is intended to facilitate broad open access to transmission facilities and a nation-wide competitive wholesale electric power market. Order 888 requires each transmission-owning electric utility to have generally available open access transmission tariffs on file. Transmission owning utilities must make their transmission facilities available on a non-discriminatory basis to wholesale customers so that generation competitors are not excluded from the market. Order 888 also requires utilities to functionally separate wholesale power sales functions from operation of the transmission system. In making wholesale power sales, utilities must take transmission services under their own transmission tariffs and charge themselves the same price for transmission services as they charge third-party transmission customers.

Since 1996, the focus has turned to developing appropriate regional transmission organizations (RTOs). For example, in September 1998, FERC approved the application of thirteen transmission-owning utilities

(including most Illinois electric utilities) to form the Midwest Independent System Operator (Midwest ISO). On December 20, 1999, FERC followed up on its case-by-case activity by issuing a generic rule on regional transmission organizations. This RTO rule is known as Order 2000. Order 2000 required compliance filings to be submitted on October 16, 2000 and January 16, 2001. Towards the end of 2000, several Illinois utilities expressed their desire to exit the Midwest ISO and to join a newly forming organization known as the Alliance RTO.

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16-101, et seq., adopted on December 16, 1997, introduced the concept of delivery services and required Illinois utilities to provide open access to delivery services on a phased-in basis. However, in adopting that statute, the Illinois General Assembly recognized that certain components of delivery service may be subject to FERC jurisdiction. Therefore, the statute states:

An electric utility shall provide the components of delivery services that are subject to the jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and conditions set forth in its applicable tariff as approved or allowed into effect by that Commission. The [ICC] shall otherwise have the authority pursuant to Article IX to review, approve, and modify the prices, terms and conditions of those components of delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission
....(220 ILCS 5/16-108)

Consequently, as retail open access is introduced in Illinois, the ICC has been actively engaged at FERC to ensure that the components of delivery service for which FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois' retail direct access program.

SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT

The Electric Service Customer Choice and Rate Relief Law of 1997, enacted into law in December 1997, fixed a timetable for the introduction of electric retail choice in Illinois, beginning with the opening electric market on October 1, 1999. On that date, approximately 64,000 non-residential electric customers, about one-seventh of all non-residential customers, became eligible to choose a new electric supplier. The remaining 433,000 non-residential customers will become eligible to choose a new electric supplier by December 31, 2000. The electric market will open to residential customers by May 2002.

As of October 31, 2000, approximately 9,300 customers have switched the generation portion of their electric service either to an alternative supplier or to a lower-cost generation service offered by the local utilities. Customer switching is concentrated primarily in the Commonwealth Edison service area, where approximately 8,000 customers have switched to alternative suppliers. Electric customers in the AmerenCIPS, Illinois Power and MidAmerican Energy service areas also have switched to alternative suppliers. No customers in the state's remaining five service areas have switched electric suppliers.

The Commission certified five Alternative Retail Electric Suppliers in 2000, increasing the total number of certified suppliers to eleven. Additionally, each of the state's nine investor-owned electric utilities is entitled to provide electric service to eligible retail customers outside their service areas. However, only about half of the electric utilities have expressed an interest in selling power and energy to retail customers outside their traditional service areas.

NATIONAL DEVELOPMENTS

Numerous electric industry restructuring bills were introduced in the 106th Congress. Bills were introduced in both the Senate and the House. Although numerous hearings were held on these bills, no comprehensive electric legislation was voted out in 2000. The Senate did approve a transmission reliability bill (S.2071), but that bill was not passed in the House.

FEDERAL JUDICIAL ACTIONS

Automated Power Exchange, Inc. v. FERC, 204 F.3d 1144; United States Court of Appeals, District of Columbia Circuit.

Automated Power Exchange (APX) petitioned for review of an order of the Federal Energy Regulatory Commission (FERC), in which the FERC had determined that APX is a public utility subject to FERC jurisdiction under the Federal Power Act. The record showed that APX provides a computer-based service to buyers and sellers of electricity in the western United States. Prospective buyers and sellers submit bids for specific quantities of electric energy to be provided in future periods, and may specify limitations on the price of the electricity or the time within which the transaction is to be completed. The APX computer matches buyers and sellers at certain intervals for “market prices.” Both the intervals and the market prices are determined through the operation of the computer itself through methods that are proprietary to APX. When the computer matches a “sell” bid with a “buy” bid, a binding contract is formed. In determining that APX is a public utility under the Federal Power Act, the FERC found the actions of APX to be more similar to those of the California Power Exchange, which it had held in another case to be a public utility, than to those of Continental Power Exchange’s computerized bulletin board system, over which FERC had disclaimed jurisdiction in 1994. The Court denied APX’s petition for review, stating that the FERC’s interpretation of the Federal Power Act was reasonable, that the determination was consistent with FERC’s own precedent, and that FERC had made a reasoned decision based on substantial evidence in the record.

Transmission Access Policy Study Group, et al., v. Federal Energy Regulatory Commission, 225 F.3d 667; United States Court of Appeals, District of Columbia Circuit.

Against a variety of challenges by investor-owned electric utilities, state regulatory bodies, and other interested groups favoring different determinations of federal regulatory policy or constructions of the Federal Power Act, the United States Court of Appeals affirmed the FERC’s open access electric transmission Orders 888 and 888A in all respects except two. The Court remanded the proceeding for FERC to explain its treatment of energy costs in the stranded cost market option. When it established a formula allowing jurisdictional electric utilities to recover their stranded costs, FERC included in the formula the market value of electricity as estimated by the relevant utility. In order to prevent an unreasonable utility estimate, FERC required utilities to offer electricity to certain customers at cost. The Court stated that “FERC’s policy of allowing customers to purchase the associated energy at cost gives customers an incentive to exercise the market option even when a utility has appropriately estimated [the market value of electricity] because they can buy the energy at cost and resell it at the presumably higher market price.” The Court found FERC’s failure to explain and justify this result constituted a failure of reasoned decisionmaking.

In the context of an argument that the FERC should have provided a reasonable cap on contract extensions under the right-of-first-refusal that the Commission’s order provided existing transmission customers, FERC conceded error on oral argument and the Court remanded the matter to the Commission so that it could provide a reasonable cap on contract extensions. As noted above, the FERC actions were affirmed in all other respects.

RELEVANT FEDERAL LEGISLATION

A listing of federal legislation relevant to the utility industry is in Appendix B.

SECTION 9

Recommendations for Proposed Legislation

(9) All recommendations for appropriate legislative action by the General Assembly.

The Commission's legislative agenda for the first year of the 92nd General Assembly is currently being formulated. Proposals under consideration at this time include various amendments to the Public Utilities Act dealing with utility regulation. A detailed discussion of specific proposals currently under consideration would be premature at this time.

Appendix A

Summary of Significant Commission Decisions

SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

GENERAL

**00-0353/
00-0354
(Cons.)** **Illinois Commerce Commission
On Its Own Motion
Amendment of 83 Ill. Adm. Code 200
Amendment of 83 Ill. Adm. Code 761, 83 Ill. Adm. Code 762, 83 Ill. Adm. Code 763,
and 83 Ill. Adm. Code 766**

On October 4, 2000, the Commission entered an order adopting amendments to 83 Ill. Adm. Code Part 200, "Rules of Practice," Part 761, "Arbitration Practice," Part 762, "Approval or Rejection of Arbitrated Agreements," Part 763, "Approval of Negotiated Agreements," and Part 766, "Telecommunications Enforcement." The amendments modify certain procedural rules so as to reflect the existence of e-Docket, the Commission's web-based, automated information and records-keeping system. In addition to revisions regarding e-Docket, the proposed amendments also include many non-substantive changes.

ELECTRIC

95-0559 **Bloom Township, et al.
-vs-
Commonwealth Edison Company on Remand
Complaint as to Respondent's wrongful assessment of penalty fees and other
charges as a result of its misapplication of Rider 30C in Chicago Heights, Illinois.**

**Consol.
95-0561** **Marshall Field & Company
-vs-
Commonwealth Edison Company
Complaint as to Respondent's wrongful assessment of penalty fees and other
charges as a result of its misapplication of Rider 30C in Chicago Heights, Illinois.**

**Consol.
95-0563 St. Therese Medical Center**
**-vs-
Commonwealth Edison Company
Complaint as to Respondent's wrongful assessment of penalty fees and other
charges as a result of its misapplication of Rider 30C in Chicago Heights, Illinois.**

The Commission entered an Order in this consolidated complaint docket on December 16, 1998. In its Remandment, the Appellate Court directed the Commission to conduct a hearing addressing the following issues: (1) Whether, pursuant to the terms of Rider 30C, Edison made reasonable efforts to source buy-through power to Complainants during the July 14, 1995 curtailment period before making the decision not to offer the same; and (2) Whether emergency conditions existed on that date which precluded ComEd's efforts to source buy-through energy.

The Commission concluded that the evidence clearly establishes that ComEd continually monitored the extreme weather conditions and the availability of the alternative power throughout the morning before the curtailment was put into effect. ComEd determined that the curtailment could not be called off without compromising its transmission system. Thus, reasonable efforts were undertaken by ComEd to source buy-through for its Rider 30C customers on July 14, 1995. The Commission further concluded that the extreme weather conditions and historic peak conditions that faced ComEd support a finding that

emergency conditions within the meaning of Rider 30C existed on July 14, 1995. Based on the conclusions reached above, the Commission determined that the Complainants failed to meet their burden of proof. Accordingly, the Commission denied the complaints.

**98-0878 Illinois Commerce Commission
On Its Own Motion
Implementation of 83 Ill. Adm. Code 411.50**

On August 9, 2000, the Commission entered an order amending 83 Ill. Adm. Code Part 411 by adopting a new subpart D. The new subpart sets forth the rules governing the Customer Satisfaction Survey to be included in the annual report that must be filed, pursuant to Section 16-125(b) of the Public Utilities Act, by each electric utility and alternative retail electric supplier owning, controlling, or operating transmission and distribution facilities and equipment subject to the Commission's jurisdiction. The rules include a standard survey instrument.

**99-0013 Illinois Commerce Commission, On its Own Motion -vs- Central Illinois Light Company,; Central Illinois Public Service Company; Commonwealth Edison Company, Illinois; Power Company, Interstate Power Company; MidAmerican Energy Company; Mt. Carmel Public Utility Company; South Beloit Water, Gas, and Electric Company, and Union Electric Company
Investigation Concerning the Unbundling of Delivery Services Under Section 16-108 of the Public Utilities Act.**

The Commission determined that the following delivery services should be offered on an unbundled basis: metering, consisting of 16 metering processes, and billing, consisting of the single bill option and the billing functions that are part of the 16 unbundled metering processes. The Commission determined that alternative providers shall have the opportunity to provide unbundled metering services by January 1, 2001. The Commission approved rates, terms and conditions pertaining to the unbundling of metering services that should be included in the electric utilities' tariffs.

**99-0117 Commonwealth Edison Company
Delivery Service Tariffs - On Rehearing
Petition for approval of delivery services tariffs and delivery
services implementation plan and for approval of certain other amendments and
additions to its rates, terms and conditions.**

In this proceeding, the Commission granted rehearing on limited issues and conclusions reached in the Commission's Order entered on August 25, 1999. These issues were related to the level of retail marketing costs recorded by ComEd in FERC accounts 911-917 that should be excluded from the delivery services revenue requirement. Following hearings and a full briefing schedule, the Commission concluded that the Company had demonstrated that a portion of the costs included in the aforementioned FERC Accounts were attributable to the provision of delivery services but not all the \$15.2 million as determined by the Commission's August Order. Additionally, the Order on Rehearing found that \$7.38 million should be added to the Neutral Fact Finder's Market Value and \$20.90 million should be reclassified in FERC Accounts 903-908 and 921.

**99-0120/
99-0134 Illinois Power Company
Petition pursuant to Section 16-105 of the Public Utilities Act for an order approving
Petitioner's delivery services implementation plan for non-residential customers.
and
Illinois Power Company**

Petition pursuant to Section 16-108 of the Public Utilities Act for an order approving non-residential delivery services tariffs and other amendments and additions to its rates, terms, and conditions.

The Commission's Order on Rehearing addressed limited issues, including issues related to retail marketing costs. On rehearing, Illinois Power sought to include \$2,262,978 of costs accorded in FERC Sales and Marketing Accounts 911-917 in its delivery services revenue requirement. The Commission concluded that only an additional \$19,684 of costs related to load research should be included in Illinois Power's delivery services revenue requirement. The Commission also concluded that a reasonable proxy for retail marketing costs in IP's service territory is \$5,516,824 and that this amount should be added to the Neutral Fact Finder's market value.

**99-0580 Illinois Commerce Commission, On its Own Motion
Revision of 83 Ill. Adm. Code 410**

In this docket, the Commission adopted 83 Ill. Adm. Code 410, "Standards of Service for Electric Utilities and Alternative Retail Electric Suppliers." The new rules replace the existing Part 410 in its entirety and reflect technological advances and the inclusion of alternative retail electric suppliers.

**00-0182 Illinois Commerce Commission, On Its Own Motion
Regulation of Meter Service Providers.**

On December 6, 2000, the Commission entered a final order adopting Part 460 "Certification Requirements and Standards of Service for Meter Service Providers." The rules provide the framework for the unbundled meter service providers' registration and safety standards. The final rule, 83 Ill. Adm. Code Part 460, was adopted on December 6, 2000 and becomes effective on January 1, 2001.

**00-0199 WPS Energy Services, Inc.
Application for Certificate of Service Authority under Section 16-115 of the Public Utilities Act.**

In this proceeding, WPS Energy Services, Inc. ("WPS") filed a verified application with the Commission requesting a certificate of service authority in order to become an alternative retail electric supplier ("ARES") in Illinois pursuant to Section 16-115 of the Public Utilities Act and 83 Ill. Adm. Code 451 ("Part 451"). WPS is an affiliate of Wisconsin Public Service Corporation of Green Bay, Wisconsin, and Upper Peninsula Power Company of Houghton, Michigan. These two affiliates own and control electric transmission and distribution facilities for public use and for delivery of electricity to end users in defined geographic regions in Wisconsin and Michigan, respectively. Neither of the affiliates' electric service territories are open to retail electric competition and customer choice at this time. Hence the reciprocity provisions of Section 16-115(d)(5) come into play. In an Order entered April 18, 2000, the Commission found that the reciprocity provisions of Section 16-115(b)(5) do not preclude WPS from receiving an ARES certificate in this proceeding. That order granted an ARES certificate to Applicant for the service territories of ComEd and three other electric utilities. Thereafter, the Order of April 18, 2000 was affirmed in an Order on Rehearing entered July 6, 2000.

**00-0259 Commonwealth Edison Company
Petition for expedited approval of implementation of a market-based alternative tariff, to become effective on or before May 1, 2000, pursuant of Article IX and Section 16-112 of the Public Utilities Act. Illinois Commerce Commission.**

In this proceeding, ComEd filed a petition seeking authorization to file tariffs incorporating a market index based methodology for determining market value under Section 16-112 of the Act. On April 27, 2000 the Commission entered an Interim Order authorizing ComEd to implement its market value index ("MVI") proposal, subject to certain modifications. The underlying proceeding is still open, and has been consolidated with two other cases involving MVI proposals filed by Illinois Power Company and the Ameren companies in Docket Nos. 00-0395 and 00-0461, respectively.

00-0361 Commonwealth Edison Company

Petition for Approval of a Revised Decommissioning Expense Adjustment Rider.

Commonwealth Edison ("ComEd") sought approval to adjust its decommissioning expense adjustment rider in conjunction with the proposed transfer of its nuclear generating stations to Exelon Genco ("Genco"), an unregulated affiliate. ComEd requested authority to collect approximately \$121 million per year through the revised rider over a six year period. Under ComEd's proposal, there would be no collection after the sixth year. .

The Commission's order authorized ComEd to collect \$73 million annually for four years through the year 2004. In reaching this conclusion, the Commission excluded non-radiological decommissioning expenses associated with site restoration and assumed that the operating life of one or more plants would be extended. For the years 2005 and 2006, the Commission approved collection of a percentage of the \$73 million based on the amount of power purchased by ComEd from Genco. The Commission also determined that refunds of any excess funds be made to ratepayers on a plant specific basis, as soon as practicable, after each plant is decommissioned.

**00-0369/
00-0394**

**Illinois Commerce Commission
On Its Own Motion**

-vs-

Commonwealth Edison Company

Proceeding pursuant to Section 16-111(g) of the Public Utilities Act concerning proposed transfer of generating assets and wholesale marketing business and entry into related agreements.

The Commission's Order approved the transfer of Commonwealth Edison Company's (ComEd) nuclear generating station assets, nuclear decommissioning trusts and wholesale marketing assets to Exelon Genco, which will be an unregulated affiliate of ComEd.

**00-0650
00-0655**

**Central Illinois Public Service Company (AmerenCIPS); Union
Electric Company (AmerenUE)**

Petition for (i) transfer of retail electric business and associated certificates of public convenience and necessity; and (ii) approval of related tariffs (7-102, 7-203, 9-201 of the IPUA)

and

**Illinois Commerce Commission, On Its Own Motion -vs- Union Electric Company
Proceeding pursuant to Section 16-111(g) of the Public Utilities Act concerning proposed transfer of distribution and transmission assets to an affiliate and entry into various agreements. (Notice of Transfer filed October 2, 2000)**

The Commission approved the transfer of Union Electric Company's (now AmerenUE) transmission and distribution system, as well as the certificates of public convenience associated therewith, to Central Illinois Public Service Company (now AmerenCIPS), thereby effectively ending Union Electric's existence as an electric public utility in Illinois.

GAS

99-0534 MidAmerican Energy Company

Proposed general increase in gas rates.

The Commission entered an order on June 27, 2000, granting a gas rate increase of \$2,117,000 (4.90%). MidAmerican had requested an increase of \$3,214,000 (7.48%). The Commission found that the Company's overall cost of capital is 9.12% and authorized a rate of return on common equity of 11.06%.

99-0609 MidAmerican Energy Company

Application for expedited approval of gas utility portion of reorganization under Sections 7-204 and 7-204A.

The Commission entered an order on January 12, 2000, approving the reorganization of MidAmerican Energy Company's ("MEC") gas operations. The reorganization results from a transaction by which MidAmerican Holdings, the indirect parent of MEC will be acquired by an investor group which will acquire control of MidAmerican Holdings.

00-0228

United Cities Gas Company

Proposed general increase in gas rates.

On October 18, 2000, the Commission entered an uncontested order granting United Cities Gas Company a general increase in gas rates of \$1,367,684 or 17.23%. The company had initially proposed an increase of \$3,151,323. An order was entered in the company's last gas rate case on June 25, 1997 in Docket No. 96-0618.

WATER

99-0418

Illinois-American Water Company and Northern Illinois Water Corporation Application for Approval of Proposed Reorganization.

The Commission approved a merger whereby Northern Illinois Water Corporation relinquished its public utility business to Illinois-American Water Company. The Order found that merger savings that occur in the test year should be reflected in rates at the time of each rate proceeding. Applicants estimated that the savings will be \$21,262,234 during the first ten years after the merger and indicated that savings will continue to be realized after the end of that ten-year period. The Order found that merger costs should not be recovered from ratepayers.

PIPELINES

98-0687

Marathon Ashland Pipe Line, LLC Petition pursuant to Sections 8-503, 8-509, 15-102 and 15-401 of the Public Utilities Act for issuance of an order authorizing and directing the relocation and replacement of a section of an existing petroleum Pipe Line and granting authority to exercise eminent domain.

The Commission entered an Order on November 1, 2000 directing Marathon Ashland Pipe Line, LLC to relocate and replace a 14,218 feet section of 10" interstate pipeline in Effingham, IL and authorized the use of eminent domain authority to acquire the necessary land rights. Marathon proposed to install a portion of the pipeline along side and underneath several railroad tracks operated by Illinois Central Railroad Company and

Conrail, Inc. Both railroad companies objected to Marathon's proposed method of installation and the pipeline specifications. Marathon proposed to install the pipeline using directional drilling at a depth 25 feet or more below the surface and use a single pipe with a wall thickness of 0.365 inches. The railroads objected to the use of directional drilling and wanted a cased (double wall) pipeline. The Commission determined that Marathon demonstrated a need to install the pipeline. The Commission further ruled that Marathon's use of single wall pipe line, depth of cover, and the proposed installation method met the US DOT construction standards and that no other requirements should apply.

99-0573 Illinois Gas Transmission Company

Application for authority to extend an existing operation as a common carrier by pipeline under Section 15-401 of the Common Carrier by Pipeline Law.

The Commission entered an order on October 18, 2000 finding that the Applicant was entitled to a limited extension of its certificate of public convenience and necessity as a common carrier by pipeline.

Appendix B

Relevant Federal Legislation

RELEVANT FEDERAL LEGISLATION

ENERGY

HR 45 (Upton, R-Michigan)

Introduced as the Nuclear Waste Policy Act of 1999 by Representative Upton on January 6, 1999. HR 45 directs DOE to develop a system to accept spent nuclear fuel for interim storage no later than June 30, 2003. HR 45 has been discharged by the House Committees on Resources and Budget.

HR 667 (Burr, R-N. Carolina)

Introduced as "The Power Bill" by Representative Burr on February 2, 1999. HR 667 removes federal impediments to retail competition in the electric power industry. HR 667 was referred to the House Subcommittee on Energy and Power and hearings were held on July 22, 1999.

HR 971 (Walsh, R-New York)

Introduced as the Electric Power Consumer Relief Act of 1999 by Representative Walsh on March 3, 1999. HR 971 ensures rates charged by cogenerators do not exceed costs. HR 971 was referred to the House Subcommittee on Energy and Power and hearings were held on July 22, 1999.

HR 1587 (Stearns, R-Florida)

Introduced as the Electric Energy Empowerment Act of 1999 by Representative Stearns on April 27, 1999. HR 1587 encourages states to establish competitive retail markets for electricity, to clarify the roles of the Federal Government and the states in retail electric markets, to remove certain Federal barriers to competition. HR 1587 was referred to the House Subcommittee on Energy and Power and hearings were held on July 22, 1999.

HR 1828 (Bliley, R-Virginia)

Introduced as the Comprehensive Electric Competition Act by Representative Bliley on May 17, 1999. HR 1828 requires utilities to permit all retail customers to purchase power from the supplier of choice by 1/1/2003. Permits opt-out provision if states can prove an alternative policy is better. Provides numerous other substantive provisions. HR 1828 was referred to the House Subcommittee on Energy and Power and hearings were held on July 22, 1999.

HR 2050 (Largent, R-Oklahoma)

Introduced as the Electric Consumers' Power to Choose Act of 1999 by Representative Largent on July 22, 1999. HR 2050 provides consumers with a reliable source of electricity and a choice of electric providers. HR 2050 was referred to the House Subcommittee on Energy and Power and hearings were held on July 22, 1999.

HR 2786 (Sawyer, D-Ohio)

Introduced as the Interstate Transmission Act of 1999 by Representative Sawyer on August 5, 1999. HR 2786 scales back FERC authority to order regional transmission organizations (RTO's) to enhance transmission of electric energy in interstate commerce. HR 2786 has been referred to the House Subcommittee on Energy and Power.

HR 2944 (Barton, R-Texas)

Introduced as the Electric Restructuring Bill by Representative (Barton) on September 24, 1999. HR 2944 provides consumers with a reliable source of electricity and a choice of electric providers. A mark-up session was held and the bill has been forwarded from Subcommittee to Full Committee.

S 282 (Mack, R-Florida)

S 282 amends the Public Utilities Regulatory Policies Act of 1978 (PURPA) and was introduced by Senator Mack on January 21, 1999. S 282 provides that no electric utility shall be obligated to purchase power under PURPA. S 282 has been referred to the Senate Committee on Energy and Natural Resources.

S 313 (Shelby, R-Alabama)

PUHCA Reform introduced by Senator Shelby on January 27, 1999. S 313 repeals the 1935 PUHCA and implements the recommendations of the SEC. S 313 has been placed on the Senate Legislative Calendar under General Orders.

S 516 (Thomas, R-Wyoming)

Introduced as the Electric Utility Restructuring Act of 1999 by Senator Thomas on March 3, 1999. S 516 imposes no “retail choice mandate.” It removes Federal impediments to competition and creates a mandatory organization for reliability management under FERC oversight. S 516 has been referred to the Senate Committee on Energy and Natural Resources.

S 608 (Murkowski, R-Alaska)

Introduced as the Nuclear Waste Policy Act 1999 by Senator Murkowski on March 15, 1999. S 608 is the same as HR 45; a bill to amend the Nuclear Waste Policy Act of 1982. S 608 has been referred to the Committee on Energy & Natural Resources.

S 1047 (Murkowski, R-Alaska)

Introduced as the Comprehensive Electric Competition Act by Senator Murkowski on May 13, 1999. S 1047 requires utilities to permit all retail customers to purchase power from the supplier of choice by 1/1/2003. Permits opt-out provision if states can prove an alternative policy is better. Provides numerous other substantive provisions. S 1047 has been referred to the Committee on Energy and Natural Resources.

S 1287 (Murkowski, R-Alaska)

Introduced as the Nuclear Waste Policy Amendments Act of 1999 by Senator Murkowski on June 24, 1999. S 1287 provides for the storage of spent fuel pending completion of the nuclear waste repository. S 1287 passed both Houses and was vetoed by President Clinton. A motion to override the veto failed.

S 1369 (Jeffords, R-Vermont)

Introduced as the Clean Energy Act of 1999 by Senator Jeffords on July 14, 1999. S 1369 is a bill to enhance the benefits of the national electric system by encouraging and supporting state programs for renewable energy sources, universal electric service, affordable electric service, and energy conservation and efficiency, and for other purposes. Senate Committee on Energy and Natural Resources held hearings on April 27, 2000.

S 2071 (Gorton, R-Washington)

Introduced as the Electric Reliability 2000 Act by Senator Gorton on February 10, 2000. S 2071 is a bill to benefit electricity consumers by promoting the reliability of the bulk-power system. S 2071 passed the Senate on June 30, 2000 and has been received in the House.

S 2098 (Murkowski, R-Alaska)

Introduced as the Electric Power Market Competition and Reliability Act by Senator Murkowski on February 24, 2000. S 2098 Amends the Federal Power Act to: (1) place within the ambit of Federal regulation unbundled interstate transmission of electric energy sold at retail; and (2) place within the jurisdiction of the state within which the energy is consumed the bundled retail sale of electric energy, unbundled local distribution service, and unbundled retail sale of electric energy and attendant facilities. (Sec. 101) Directs the Federal Energy Regulatory Commission (FERC) to determine which electric energy delivery and transmission facilities fall within either Federal or state jurisdictions. The Committee on Energy and Natural Resources considered and Mark Up Session held on May 24, 2000.

S 2409 (Hollings, D-S. Carolina)

Introduced as the Pipeline Safety and Community Protection Act of 2000 by Senator Hollings on April 12, 2000. S 2409 amends Federal transportation law with respect to gas and hazardous liquid pipeline facilities in high-density population areas and environmentally sensitive areas. Referred to the Senate Committee on Commerce, Science, and Transportation.

S 2438 (McCain, R-Arizona)

Introduced as the Pipeline Safety Improvement Act of 2000 by Senator McCain on April 13, 2000. S 2438 directs the Secretary of Transportation to: (1) implement the oil and gas pipeline safety improvement recommendations provided for in the Department of Transportation (DOT) Inspector General's Report (RT-2000-069); and (2) report every 90 days to specified congressional committees on the specific actions taken to implement them. S 2438 passed the Senate on September 7, 2000 and considered as unfinished business in the House on October 10, 2000.

TELECOMMUNICATIONS

HR 438 (Shimkus, R-Illinois)

Introduced to create a uniform emergency number for U.S. by Representative Shimkus on February 2, 1999. HR 438 establishes 9-1-1 as the universal emergency number of wireless telecom users. HR 438 passed the House and has been referred to the Senate Committee on Commerce.

HR 539 (Danner, D-Missouri)

Introduced to create a uniform emergency number for U.S. by Representative Danner on February 3, 1999. HR 539 establishes 9-1-1 as the universal emergency number of wireless telecom users. HR 539 has been referred to the House Committee on Telecommunications, Trade and Consumer Protection.

HR 692 (Tancredo, R-Colorado)

Introduced as the E-Rate Termination Act by Representative Tancredo on February 10, 1999. HR 692 terminates the universal service program for schools and libraries. HR 692 has been referred to the House Committee on Telecommunications, Trade and Consumer Protection.

HR 727 (Klink, D-Pennsylvania)

Introduced as the Telecommunications Trust Act by Representative Klink on February 11, 1999. HR 727 provides for explicit and stable funding for universal telecom service. HR 727 has been referred to the House Committee on Telecommunications, Trade and Consumer Protection.

S 58 (Collins, R-Maine)

Introduced as a bill to amend the Communications Act of 1934 by Senator Collins on January 19, 1999. S 58 is a bill to improve protections against telephone service "slamming" and provide protections against telephone billing "cramming", to provide the Federal Trade Commission jurisdiction over unfair and deceptive trade practices of telecommunications carriers. S 58 has been referred to Senate Committee on Commerce.

S 765 (Collins, R-Maine)

Introduced as the Area Code Conservation Act by Senator Collins on April 12, 1999. S 765 sets a date by which the FCC must develop a plan for efficient allocation of phone numbers; gives states decision making authority for area code conservation measures while FCC is developing a plan. S 765 has been referred to the Senate Committee on Commerce.

S 800 (Burns, R-Montana)

Introduced to create a uniform emergency number for U.S. by Senator Burns on April 14, 1999. S 800 establishes 9-1-1 as the universal emergency number of wireless telecom users (similar to HR 438). S 800 has been signed by the President and has become Public Law 106-81.

S 877 (Brownback, R-Kansas)

Introduced as the Broadband Internet Regulatory Relief Act of 1999 by Senator Brownback on April 26, 1999. S 877 ensures that high-speed Internet access is available to rural constituents. S 877 has been referred to the Senate Committee on Commerce.

S 1125 (McCain, R-Arizona)

Introduced as the Telecommunications Merger Review Act of 1999 by Senator McCain on May 26, 1999. S 1125 restricts the authority of the FCC to review mergers and to impose conditions on licenses and other authorizations assigned or transferred in the course of mergers subject to review by the DOJ or the FTC. S 1125 has been referred to the Senate Committee on Commerce.

HR 1686 (Goodlatte, R-Virginia)

Introduced as the Internet Freedom Act by Representative Goodlatte on May 5, 1999. HR 1686 provides that in any civil action based on antitrust violations, evidence that an incumbent local exchange carrier that has market power in the broadband service provider market area has willfully and knowingly failed to provide conditioned unbundled local loops when economically reasonable and technically feasible, or restrains the ability of another carrier to compete in the provision of such services, shall establish a presumption of an antitrust violation. HR 1686 has been referred to the House Subcommittee on Telecommunications, Trade, and Consumer Protection.

HR 2420 (Tauzin, R-Louisiana)

Introduced as the Internet Freedom and Broadband Deployment Act of 1999 by Representative Tauzin on July 1, 1999. HR 2420 prohibits the Federal Communications Commission and each State, except as expressly provided in this Act, from regulating the rates, charges, terms or conditions for, or entry into the provision of, any high speed data service or Internet access service, or to regulate the facilities used in the provision of such service. HR 2420 has been referred to the House Subcommittee on Telecommunications, Trade, and Consumer Protection.

TRANSPORTATION

HR 2666 (Shows, D-Mississippi)

Introduced as the Federal Railroad Safety Enhancement Act of 1999 by Representative Shows on July 30, 1999. HR 2666 amends Federal transportation law to declare that a railroad carrier shall not be responsible for violating certain hours of duty limitations with respect to train in the case of a dually employed employee, if none of the railroad carrier's managers, supervisors, officers, and agents had actual knowledge of the employee's work schedule for another employer. HR 2666 has been referred to the House Subcommittee on Ground Transportation.

HR 2679 (Shuster, R-Pennsylvania)

Introduced as the Motor Carrier Safety Act of 1999 by Representative Shuster on August 3, 1999. HR 2679 establishes the National Motor Carrier Safety Administration within the Department of Transportation (DOT), to be headed by an Administrator appointed by the President, by and with the advice and consent of the Senate. HR 2679 passed the House on October 14, 1999 (415-5). HR 2679 was received in the Senate, read twice and referred to the Senate Committee on Commerce on October 15, 1999.

HR 2682 (Shuster, R-Pennsylvania)

Introduced as the Motor Carrier Safety Act of 1999 by Representative Shuster on August 3, 1999. HR 2682 amends Federal transportation law to direct the Secretary of Transportation, in prescribing regulations on minimum standards for testing and ensuring the fitness of an individual operating a commercial motor vehicle, to require that such individual has received training, including in-vehicle training, in the safe operation of a motor vehicle of the type the individual operates or will operate. HR 2682 was referred to the House Subcommittee on Ground Transportation.

S 1501 (McCain, R-Arizona)

Introduced as the Motor Carrier Safety Improvement Act of 1999 by Senator McCain on August 5, 1999. S 1501 amends Federal transportation law to establish in the Department of Transportation a Motor Carrier Safety Administration, with a separate motor coach division, which shall perform all functions currently performed by the Office of Motor Carrier and Highway Safety of the Federal Highway Administration. Hearings were held on September 29, 1999 in the Senate Subcommittee on Surface Transportation.

OTHER

HR 1714 (Bliley, R-Virginia)

Introduced as the Electronic Signatures in Global and National Commerce Act by Representative Bliley on May 6, 1999. HR 1714 prohibits a rule of law from denying the legal effect of certain instruments of electronic commerce on the ground that: (1) they are not in writing, if they are electronic records; or (2) they are not signed or affirmed by a signature, if they have been signed or affirmed by electronic signature. Upholds the legal effect of such instruments regardless of the type or method of electronic record or signature selected by the signatories. HR 1714 passed the House on November 9, 1999 (356-66) and has been received in the Senate and assigned to the Senate Committee on Commerce. HR 1714 has been inserted into S 761.

S 761 (Abraham, R-Michigan)

Introduced as the Electronic Signatures in Global and National Commerce Act by Senator Abraham on November 19, 2000. S 761 prohibits a rule of law from denying the legal effect of certain instruments of electronic commerce on the ground that: (1) they are not in writing, if they are electronic records; or (2) they are not signed or affirmed by a signature, if they have been signed or affirmed by electronic signature. Upholds the legal effect of such instruments regardless of the type or method of electronic record or signature selected by the signatories. Became Public Law No: 106-229 on June 30, 2000.

Appendix C

Emission Allowance Reports

(Note: The emission reports are not included in the web edition of the report, but are in the printed document.)